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Table of contents

Introduction	5
Enhancing the Australia-India Defence Relationship Colonel Paul Kenny, DSC, DSM, Australian Army	6
China's Growing Influence in the South-West Pacific: Australian policies that could respond to China's intentions and objectives Group Captain Matt Hegarty, CSC, Royal Australian Air Force	45
Understanding the Neighbourhood: Bougainville's referendum for independence Colonel Justin Ellwood, DSC, Australian Army	83
Japan's Strategic Re-posture: Prime Minister Abe and the implications for the Japan-US alliance and regional security Colonel David Hay, Australian Army	117
Cyber Security: Time for an integrated whole-of-nation approach in Australia Chris Brookes, Department of Defence	157
Australia-Japan Security Relations: Improving on a 'best friends' relationship Chris Brookes, Department of Defence	199
Russia's Security Influence in Northeast Asia Andrew Cosh, Department of Defence	209
A Contingent Liability: Why resolution of the Senkaku/Diaoyu Islands dispute is in Australia's national interest Captain Scott Lockety, CSC, Royal Australian Navy	222
China-India: An analysis of the Himalayan territorial dispute Captain Katherine Richards, CSC, Royal Australian Navy	233
Why does the People's Republic of China continue to support the Democratic People's Republic of Korea? Colonel Russell Maddalena, CSM, Australian Army	272
Enhancing Tonga's Maritime Security Commander Sione Uaisele Fifita, Tonga Defence Services	283
Biographical details	321

Introduction

The Centre for Defence and Strategic Studies (CDSS) is the senior professional development and educational institution of the Australian Defence College. It is responsible for providing Australian and international students with the knowledge and skills required to operate at the strategic level in a modern security environment. It also manages Defence publications and research, and delivers courses on leadership and ethics.

The Defence and Strategic Studies Course is our marquee activity. This year-long, master's-level course is designed for senior military officers and Government officials engaged in national security issues. The course is attended by Australian and international officers and officials who focus their learning energies on Defence and security issues in a complex strategic setting. This group of practitioners brings substantial intellectual weight to the debate on contemporary defence and security issues and their results are published in this Digest.

The range of papers in the Indo-Pacific Strategic Digest reflects coursework and research submitted by Australian and international students of the Defence and Strategic Studies Course. The papers have been chosen for publication based on their scholarly attributes and strategic relevance. The topics of the papers relate to Australia's area of primary and enduring strategic interest—the Indo-Pacific region—and present analyses and assessments that concern Australia's policy interests.

On behalf of all staff and students I would like to commend these readings to you.

For further information about CDSS publications, please visit <http://www.defence.gov.au/adc/publications/publications.html>

Ian Errington, AM, CSC

Principal

Centre for Defence and Strategic Studies

May 2015

Enhancing the Australia-India Defence Relationship

Colonel Paul Kenny, DSC, DSM
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Abstract

This paper contends that India is re-emerging as a major regional power. Its greater influence and security responsibilities in the Indo-Pacific region have led Australia to seek ways to enhance its defence relationship with India. While noting that positive outcomes are already being achieved as a result of improving maritime security cooperation between the Australian and Indian navies, the paper proposes several policy initiatives that would contribute further to the enhancement of the defence relationship between the two countries.

It firstly analyses the changing strategic environment within the Indo-Pacific region in order to better understand the implications for the Australia-India defence relationship. It then identifies the converging security interests of Australia and India, as well as the constraints that may inhibit further development of the relationship. It then provides policy recommendations to strengthen and enhance defence cooperation, emphasising congruence and common security priorities, including improved military-to-military counter-terrorism cooperation. It concludes, however, that Australia will need to demonstrate patience in developing this relationship, citing the model of Australia's defence relationship with Indonesia.

Introduction

India has been very economical in its foreign entanglements but not engagements. We have so far resisted siren calls for us to do what others want us to, in the name of being 'responsible' or 'stepping up to the plate'. This shows an acute awareness on our part, but not others, of the extent and limits of India's power and its potential uses, and a clear prioritisation between our interests and between our goals.

Shiv Shankar Menon, Indian National Security Advisor, 2013¹

The international system is undergoing a shift, strongly influenced by Asia's rise and the economic challenges currently impacting on the US.² This has informed various assessments that question the notion of the US retaining its current hegemony, especially within the Indo-Pacific region, through the remainder of this century.³ Furthermore, Peter Varghese, Secretary of Australia's Department of Foreign Affairs and Trade, has asserted that:

[t]he broad contours of the 21st century international system are now apparent, even if the detail is not: a system populated by several power centres and competing conceptions of domestic and international order. A world in which no country or region, or political or economic model, will enjoy uncontested dominance.⁴

The Indo-Pacific regional changes associated with these assessments include the re-emergence of China as a global economic power and a regional military power; the re-emergence of India as a regional economic power and a South Asian military power; and the associated expansion of the areas of strategic interest of China and India beyond their respective traditional areas of interest.⁵ Both China and India have been able to achieve this re-emergence by capitalising on the post-Cold War decades of an open international trade system and the free flow of foreign direct investment and capital.⁶

This shift in the international system has influenced Australian politicians and academics to use the term 'Asian Century' to describe the assessed economic dominance of the rising major powers of the Indo-Pacific region during the 21st century.⁷ The Australian Government's 2012 White Paper *Australia in the Asian Century* asserted that '[w]ithin only a few years, Asia will not only be the world's largest producer of goods and services, it will also be the world's largest consumer of them ... [as well as] home to the majority of the world's middle class'.⁸ The standout performer in the Indo-Pacific region has been China, closely followed by a re-emerging India.

The re-emergence of China and its potential impact on the Indo-Pacific region has been the subject of significant analysis and strategic review over the last decade. Current assessments indicate that China's GDP is rapidly closing on that of the US and is likely to overtake it within the next 10 years.⁹ This economic

success has significantly improved the prosperity of China's population and, commensurate with its growing economic power, China has gained greater international status, power and global influence.¹⁰

Almost simultaneous with the re-emergence of China has been the re-emergence of India. Despite its GDP still lagging well behind China's, its position as the third largest economy in the Indo-Pacific region is impressive, considering it commenced its economic restructure and reform program a decade after China.¹¹ Like China, India is seeking increased international status, regional power and influence to match its growing economic strength.¹²

The re-emergence of India as a major regional power means that it is assuming greater security responsibilities in the Indian Ocean region and is starting to be viewed as a significant strategic player in the Pacific. Several observers have also identified that India is beginning to view Australia as one of several new security partners in the Indo-Pacific region. For example, David Brewster suggests that while India has not articulated a grand strategy for the Indo-Pacific, and appears unlikely to do so in the near future, New Delhi's key objectives for regional engagement include 'economic integration, balancing China, achieving strategic autonomy within a multipolar regional order, recognition of India's proper power status in the region, and expanding India's strategic space into Southeast Asia'.¹³

India's re-emergence as a major regional power has led Australia to seek ways to enhance its defence relationship with India. The framework for the development of the relationship was set out in the 2009 Australia-India Joint Declaration on Security Cooperation.¹⁴ Additionally, the Australian Government's 2013 'India Country Strategy' asserted that the defence objectives for Australia's enhanced relationship with India included the establishment of a more comprehensive defence relationship, involving the construction of a 'broad program of bilateral exercises, training activities, exchanges and dialogue' and improved counter-terrorism cooperation.¹⁵

This paper proposes several policy initiatives that would contribute to the enhancement of the relationship. It firstly analyses the changing strategic environment within the Indo-Pacific region in order to better understand the implications for the Australia-India defence relationship. It then identifies the converging security interests of Australia and India, as well as the constraints that may inhibit further development of the relationship.

The second half of the paper draws from the earlier analysis to identify the opportunities available to enhance the Australia-India defence relationship. It then provides policy recommendations to strengthen and enhance defence cooperation, emphasising congruence and common security priorities,

including improved military-to-military counter-terrorism cooperation. These enhancements would build on the positive defence relationship outcomes being achieved as part of the improving maritime security cooperation that is already occurring between the Australian and Indian navies.

Part 1: Changing strategic environment and implications for the Australia-India defence relationship

A number of politicians and commentators have written about the re-emergence of India within the Indo-Pacific region and the subsequent need for Australia to develop a more effective relationship with India. The *Australia in the Asian Century White Paper* similarly asserted that 'India's growing economic and strategic weight will increasingly influence the balance of power within Asia, and amplify India's global influence', thereby indicating the importance of developing the Australia-India relationship.¹⁶

India's recent emergence as an economic and regional power has certainly informed Australia's intent to enhance its defence relationship with India into a more substantive and constructive relationship, as confirmed by Stephen Smith, then Australian Minister for Defence, who asserted in 2011 that:

India's rise as a world power is at the forefront of Australia's foreign and strategic policy, as is the need to preserve maritime security in the Indian Ocean. India and Australia, with the two most significant and advanced navies of the Indian Ocean rim countries, are natural security partners in the Indo-Pacific region.¹⁷

Re-emergence of India within the Indo-Pacific region

The re-emergence of India has been underpinned by its remarkable economic growth since the commencement of its economic restructuring and reform program of the early 1990s. The reforms have shifted India away from a state-dominated economy to more liberal economic policies of market reform that have enabled greater integration into the global economy.¹⁸ New Delhi's decentralised economic model has enabled India to transform its economy to grow rapidly from US\$433 billion in 1991 to US\$1.67 trillion by 2014.¹⁹ Furthermore, this economic growth has enabled New Delhi to increase its defence spending from US\$11.8 billion in 2001 to US\$36.3 billion in 2014.²⁰

In addition to this economic resurgence, India has also broadened its regional engagement. During the Cold War, New Delhi adopted a policy of non-alignment, while also developing a reliance on the Soviet Union, which became India's strategic guarantor and major economic partner.²¹ The collapse of the Soviet Union in the early 1990s created an economic and foreign policy challenge for India that significantly influenced New Delhi's economic reform and forced the development of a foreign policy that emphasised regional economic cooperation.²²

As a result, New Delhi implemented a 'Look East' policy, primarily as an economic initiative to engage the rising economies in East and Southeast Asia, while concurrently re-establishing the political relationships with East and Southeast Asia nations that had waned during the Cold War.²³ Since its implementation, New Delhi's 'Look East' policy has broadened to include political and regional security dimensions.²⁴

Of particular note for the development of the Australia-India relationship is New Delhi's evolving strategic partnership with Tokyo, which was initially focused on mutual economic and political interests. By 2006, the relationship had deepened as a result of Beijing's increasingly assertive behaviour in managing its territorial disputes with New Delhi and Tokyo.²⁵ The partnership was reinforced following an agreement in early 2014 to strengthen onshore, maritime and aerial defence cooperation.²⁶

This agreement included the continuation of ministerial security and strategic dialogues, and joint naval exercises.²⁷ This is instructive for the Australia-India strategic relationship as it demonstrates that New Delhi, despite its history of non-alignment, is prepared to develop robust bilateral partnerships when India's national interests converge with that of another nation.

There is also evidence that New Delhi's developing strategic partnership with the US is having a significant impact on balancing China's influence in the Indo-Pacific region. Since President Bill Clinton's visit to India in 2000, the US-Indian strategic partnership has developed a broad base including bilateral agreements or dialogue ranging from defence, trade and investment, space technology, civil nuclear energy, cyber security, through to agriculture and health.²⁸ The developing US-India security partnership has also contributed to the framework of the US 'rebalance' to the Asia-Pacific region.²⁹ This was confirmed by US Secretary of Defense Leon Panetta in 2012 when he asserted that:

After a decade of war, we are developing a new defence strategy - a central feature of which is a 'rebalancing' toward the Asia-Pacific region. In particular, we will expand our military partnerships and our presence in the arc extending from the Western Pacific and East Asia into the Indian Ocean region and South Asia. Defence cooperation with India is a linchpin in this strategy. India is one of the largest and most dynamic countries in the region and the world, with one of the most capable militaries. India also shares with the United States a strong commitment to a set of principles that help maintain international security and prosperity.³⁰

However, New Delhi has insisted that the Indian-US strategic partnership is not an alliance and that India intends to retain its strategic autonomy.³¹ India's desire to retain its strategic autonomy will also influence how the Australia-India defence relationship develops, which is discussed later in the paper, but does not negate the fact that India has converging strategic interests with other nations in the Indo-Pacific region.

Converging strategic interests of Australia and India

Australia and India are the two largest maritime powers of the littoral nations of the Indian Ocean. The Australia-India Institute contends there is an 'essential congruence in Australian and Indian strategic interests on many issues, and that in some ways they are natural economic and security partners'.³² This congruence is primarily informed by shifts in the balance of power in the Indo-Pacific region associated with China's growing assertiveness and the economic importance of the Indian Ocean for both Australia and India.³³ Both India and Australia also share concerns regarding the threat of Islamic extremism on the unity of their respective populations.

The near simultaneous re-emergence of India and China has created regional rivalry between these two large nations. Initially, the primary focus of Sino-Indian strategic rivalry was South Asia, including their longstanding border dispute in the Himalayas and China's decision to develop a 'quasi-alliance' with Pakistan.³⁴ Over time, this rivalry has extended to include Southeast Asia, Central Asia and the Indian Ocean region.³⁵ It encapsulates their rapidly expanding economic relationship, growing competition in energy security and rivalry in maritime security.³⁶ Some observers have argued that it is exemplified by China's economic and infrastructure assistance to India's neighbours, including Pakistan, Sri Lanka, Bangladesh and Myanmar, which is sparking fears of a 'string of pearls' of Chinese client states designed to contain India, thereby increasing New Delhi's concerns regarding Beijing's intentions.³⁷

Furthermore, the recent assertive behaviour by China over maritime territorial claims and resource rights within the Indo-Pacific region have not only reinforced India's concerns regarding Beijing's intentions but has also raised concerns for Australia.³⁸ These shared concerns are also fuelled by Beijing's 'unexplained military modernisation program'—including the procurement of significant force projection capabilities such as aircraft carriers—which has raised suspicions that China is potentially seeking to eventually replace the US as the pre-eminent power in the Indo-Pacific region.³⁹ This modernisation program has been accompanied by an increased Chinese naval presence in the Indian Ocean.⁴⁰ Consequently, India and Australia increasingly share a common apprehension about China's intentions in the Indo-Pacific region.⁴¹

However, Australia and India are also cautious not to act in a manner that might be misconstrued by China as a threat or contributing to a US-led containment strategy. As Frederic Grare asserts, '[b]oth states see a number of disadvantages and few benefits in looking confrontational when it comes to China'.⁴² This approach by both Australia and India reflects that China is an important trade partner for both countries—in 2013, Sino-Indian bilateral trade

was US\$65.87 billion and Sino-Australian bilateral trade was approximately A\$150 billion.⁴³ This has created a strategic dilemma for Australia and India, which has influenced the development of their mutual defence relationship—neither wants to antagonise China but both want to check the development of a 'China-dominated regional order'.⁴⁴

Australia and India's apprehension with respect to China has been reinforced by a degree of uncertainty regarding the US response to China's growing assertiveness in the Indo-Pacific region.⁴⁵ This uncertainty has been shaped by the first Obama Administration indicating a willingness to accommodate some of the interests of a re-emerging China, quickly followed by the same administration announcing the US 'pivot' into the Indo-Pacific region.⁴⁶ Washington has since de-emphasised the pivot, with the Obama Administration seemingly pre-occupied with the Middle East and distracted by the collapse of the US-Russian relationship,⁴⁷ thereby creating uncertainty for Indo-Pacific nations.⁴⁸

Rory Medcalf has posited that this uncertainty is influencing 'middle powers' in the Indo-Pacific region to seek solutions 'beyond their traditional approaches to security', citing that Japan, India and Australia are expanding security cooperation with each other.⁴⁹ He further suggests that a coalition of Indo-Pacific middle powers, cooperating on issues ranging from security dialogues and intelligence sharing to technology sharing, could build 'regional resilience against the vagaries of US-China relations'.⁵⁰ However, the regional uncertainty regarding US intentions needs to be balanced against the resilience of the longstanding US-Australia alliance and the recent India-US strategic rapprochement, both of which shape the growing strategic relationship between Australia and India.⁵¹

The relationship between Australia and India is also shaped by their shared interest in maintaining security in the Indian Ocean region. Both countries rely on the freedom of navigation across the Indian Ocean for trade—and, in India's case, for energy supply—with the Australia's *2013 Defence White Paper* asserting that:

The Indian Ocean is increasingly important to Australia, both in terms of our own trading interests and the fact that Australia's major trading partners rely on energy resources transported across the Indian Ocean to sustain their trade with Australia. The Government will engage closely with other countries with interests in the region to ensure that Indian Ocean dynamics are supported by the evolution, over time, of a more robust regional security architecture that provides mechanisms for the exchange of perspectives and management of the regions security challenges.⁵²

The shared interest of Australia and India in maintaining maritime security in the Indian Ocean was reinforced as a priority during the visit by Australia's Prime Minister Tony Abbott to India in early September 2014, in which both countries

'emphasised their interest in building closer cooperation in the maritime domain'.⁵³ Both prime ministers also identified the importance of working together to counter terrorism, commending the work of the Joint Working Group on Counter-Terrorism.⁵⁴

Australia and India have a longstanding Memorandum of Understanding on Counter-Terrorism.⁵⁵ India has also asserted at various regional forums its willingness to undertake counter-terrorism cooperation with other regional partners.⁵⁶ The recent emergence of the Islamic State terrorist group has resulted in a number of Australian and Indian citizens travelling to the Middle East to fight with it, raising the risk that they will return home to continue fighting for the Islamic State cause.⁵⁷ Indeed, Islamic State has directly threatened to conduct attacks in both Australia and India,⁵⁸ reinforcing the need for further counter-terrorism cooperation.

More broadly, the Australia-India defence relationship is informed by a 'shared desire to promote regional and global security' and 'achieve the objective of a prosperous, open and secure Asia'.⁵⁹ Moreover, the combination of fundamental shifts in the balance of power in the Indo-Pacific region, the importance of maritime security in the Indian Ocean and the rising terrorist threat have reinforced the requirement for an enhanced Australia-India defence relationship.

The Australia-India Institute asserts that 'Australia can no longer rely on some of the certainties that have underpinned its strategic posture for many decades'.⁶⁰ India is also subject to strategic imperatives that are likely to make Australia an important security partner in coming years'.⁶¹ Additionally, Brewster asserts that 'Australia and India share many common perspectives on maritime security and regional stability which could form the basis of an active security partnership'.⁶² However, while progress is being made on maritime security cooperation, Australia and India's converging strategic interests indicate that both countries need to work harder to further enhance their defence relationship.⁶³

Constraints to enhancing Australia-India defence cooperation

Despite converging strategic interests, there is a degree of asymmetry to the security interests between Australia and India. Australia arguably has greater interest in its defence relationship with India than India has with Australia, while India's growing strategic influence has resulted in a number of countries actively courting India for greater defence engagement.⁶⁴ Consequently, Australia should continue to demonstrate to India the value of close and candid collaboration.

A key challenge is the differing strategic cultures of the two nations. Australia's is dominated by the notion of strategic collaboration, regional cooperation and working as part of a coalition.⁶⁵ In contrast, India's strategic culture continues to draw on its history of non-alignment, which is primarily focused on independence and the national objective of retaining 'strategic autonomy'.⁶⁶ Consequently, Brewster contends that India is inclined to be 'suspicious of foreign engagements' and to avoid any activity or agreement that could 'be remotely construed as involving an alliance'.⁶⁷

However, the election of the Modi Government in mid 2014 may reduce this challenge, particularly since the election manifesto of his Bharatiya Janata Party did not reaffirm non-alliance but instead supported the need to create a 'web of allies to further India's interests'.⁶⁸ Nonetheless, Australia's policy approach needs to respect India's strategic culture, while employing 'the patient approach of quietly and steadily building meaningful bottom-up military functional cooperation'.⁶⁹ This would not be the first time that Australia has used such an approach. Its closest neighbour, Indonesia, also has a tradition of non-alignment and strategic autonomy that Canberra has been able to respect while patiently developing an effective defence relationship with the Indonesian military.⁷⁰

An additional challenge to enhancing defence cooperation is New Delhi's perception that Australia is not an independent strategic actor because of its history of collaboration with great powers, especially the US.⁷¹ This perception runs counter to how India perceives its own behaviour as a strategically-independent country that has traditionally avoided foreign power entanglements. Indeed, as asserted by Brewster, 'strategic autonomy should be seen as part of India's national DNA, just as strategic collaboration is part of Australia's'.⁷²

Some Indian officials consider Australia to be a junior partner of the US.⁷³ There is also some evidence to suggest that Australia's enduring cooperation with Pakistan has been at the expense of its relationship with India.⁷⁴ These issues, according to Brewster, have all contributed to key officials within India's Ministry for External Affairs not viewing Australia as an engagement priority, and their resources not being prioritised to enhance the defence relationship.⁷⁵

Divergent views on China's strategic intent also challenge the enhancement of the Australia-India defence relationship. As previously indicated, Australia and India share concerns regarding China's recent assertive behaviour, especially in relation to its maritime territorial claims in the South China Sea and the 'unexplained modernisation' of its expeditionary military capabilities.⁷⁶ However, there are divergent views regarding China's intent in the Indian Ocean and South Asia.

India views China's expansion into the Indian Ocean region, especially the development of its so-called 'string of pearls', combined with its robust relationship with Pakistan and recent assertive behaviour along their shared Himalayan border, as part of a deliberate containment strategy against India's re-emergence as a regional power.⁷⁷ In contrast, Australia has a tendency to be 'more understanding of China's interests in protecting its trade routes in the Indian Ocean and treats the talk of a 'strings of pearls' with a degree of scepticism'.⁷⁸ Consequently, while their shared concern about the growing assertiveness of China has been a key influence in the development of the Australia-India defence relationship, it has been tempered by their divergent views regarding China's intent in the Indian Ocean region.

The enhancement of the current Australia-India defence relationship is further challenged by differing perspectives on the role of defence relationships.⁷⁹ Australia has regularly used its defence relationships with regional partners to further its foreign policy aims, as illustrated in Australia's *2013 Defence White Paper* which indicated that:

Australia's international defence engagement is a critical component of the Government's approach to managing the strategic transformation occurring in our region. As regional countries strengthen their military capabilities, Australia will build deeper strategic partnerships and contribute positively to the region's security and stability – while at the same time managing strategic uncertainty.⁸⁰

India has a narrower view of the purpose of its defence relationships. Specifically, New Delhi does not see the Indian military as a key foreign policy contributor.⁸¹ Consequently, all defence engagement and cooperation activities must be cleared through the Indian Ministry of External Affairs, which tends to result in delays and constraints on any new proposal. Furthermore, the Indian military does not have a unified joint military command; therefore, all liaison is conducted through the Ministry of Defence direct to the services, creating challenges for India to provide coordinated joint responses to opportunities for cooperation.

Summary of key observations

This part of the paper has demonstrated that India's recent re-emergence as a regional power has meant that Australia and India have converging strategic interests that influence the need to develop an enhanced defence relationship. These converging strategic interests are primarily shaped by China's recent assertive behaviour and the shared Australia-India desire to retain stability in the Indian Ocean. Their interests are also being shaped by shared counter-terrorism concerns, especially in light of the emergence of the Islamic State extremist group.

Furthermore, the discussion has identified that the Australia-India defence relationship is informed by a 'shared desire to promote regional and global security' and 'achieve the objective of a prosperous, open and secure Asia'.⁸² However, the enhancement of the Australia-India defence relationship is constrained by an asymmetry in security interests between the two countries, differing strategic cultures, divergent views regarding China's intent in the Indian Ocean region and differing perspectives of the role of defence relationships to further foreign policy aims.

This suggests that Australia needs to take a measured, long-term approach to further enhancing its defence relationship with India. The Australia-India Institute, in its *Beyond the Lost Decade* report, has identified that:

[t]he key is Canberra's ability to keep its patience, and nudge India towards advance without pushing it too much or too quickly. India is the elephant, it moves slowly but surely. The Australian kangaroo, in contrast, is nimble and hops much more quickly.⁸³

Part 2: Policy recommendations

This part of the paper provides policy recommendations that would contribute to the enhancement of the Australia-India defence relationship, with an end-state of delivering a relationship that is more substantive and constructive. It draws on the earlier analysis to provide policy recommendations that strengthen and enhance defence cooperation, emphasising congruence and common security priorities. They also relate to improvements to the quality and substance of bilateral defence meetings, increased opportunities for Indian military personnel to participate in Australian professional military education courses, and improved military counter-terrorism cooperation. The enhancements would build on the positive defence relationship outcomes currently being achieved through improved Australia-India maritime security cooperation.

Policy recommendation 1.
Strengthen and enhance defence cooperation,
emphasising congruence and common security priorities

Policy rationale

Since the signing of the 2009 Australia-India Joint Declaration on Security Cooperation, Australia has developed a number of inter-related policies that reinforce its shared security interests with India. These include the 2012

Australia in the Asian Century White Paper, the *Australian National Security Strategy 2013* and the *2013 Defence White Paper*. Collectively, these policy papers have consistently identified a strategic environment that is witnessing a dramatic shift of economic and strategic weight into the Indo-Pacific region, which will dominate Australia's future national security outlook.

India's re-emergence as a regional power and its growing global influence, combined with its dominant location in the Indian Ocean, make it an important security partner for Australia. The *2013 Defence White Paper* contends that the Australia-India defence relationship is progressing well, saying that:

India and Australia have a shared interest in helping to address the strategic changes that are occurring in the region.... Australia and India are taking further steps to develop and expand upon the Strategic Partnership, under the framework of the 2009 *Joint Declaration on Security Cooperation*. Strategic engagement between Australia and India has involved high-level visits and ongoing exchanges and dialogue, and defence cooperation occurs across a range of activities, including ship visits and professional exchanges. Our Navy-to-Navy relationship continues to grow—a natural progression given our shared maritime security interests as Indian Ocean littoral states—and Australia and India will work towards establishing a formal bilateral maritime exercise.⁸⁴

Military diplomacy does not produce dramatic, demonstrable improvements to relationships in the short term, especially with countries such as India.⁸⁵ Instead, it relies on the trust gained through medium- to long-term investment in the relationship, including meaningful activities and person-to-person relationships. The current status of the relationship is exemplified by the fact that the June 2013 visit to Canberra by India's Defence Minister A.K. Antony was the first ever visit to Canberra by an Indian Defence Minister. Therefore, Australia will need to take an incremental approach to enhance the Australia-India defence relationship.

Current status of the Australia-India defence relationship

The evolving Australia-India defence relationship has been based on the areas identified in the 2009 Joint Declaration of Security Cooperation. This joint declaration established the framework for security cooperation between Australia and India, with the specific areas for defence cooperation including the formalisation of regular defence policy talks (at the senior officials' level), staff talks, Service-to-Service exchanges, and participation in exercises.⁸⁶ It also reinforced the continuation of regular joint working groups on maritime security and counter-terrorism.⁸⁷ Australia formally reinforced the requirement to further develop and expand on the defence relationship with India in the *2013 Defence White Paper*, as highlighted above.

Furthermore, the requirement to continue to enhance the Australia-India defence relationship was a key outcome of the June 2013 Ministerial discussions between Indian Defence Minister Antony and Australian Defence Minister Smith

in Perth. During the visit, Minister Antony and Minister Smith specifically agreed to continue regular bilateral Defence Minister's meetings, defence policy talks and Armed Forces staff talks; continue bilateral cooperation through Asia-Pacific and Indian Ocean multilateral fora; continue to build people-to-people links through training and education exchanges; and work towards a bilateral maritime exercise from 2015.⁸⁸

Most recently, this requirement was jointly reinforced during Prime Minister Abbott's visit to India in September 2014, during which both Prime Ministers 'committed to strengthening the defence and security partnership' and 'called for deepening the framework of defence and security cooperation to guide the bilateral engagement'.⁸⁹

However, despite the assurances and agreements by politicians, the defence relationship remains largely constrained to 'soft security and dialogues'.⁹⁰ While there are generally effective relationships between the respective Service Chiefs, the assessment from several commentators is that the dialogues lack any real substance and that 'engagement at the operational or tactical level remains extremely thin'.⁹¹ However, despite these observations, there are signs that the Australian Navy-Indian Navy relationship continues to improve.

Maritime security cooperation between Australia and India has been identified by Australian defence officials as the highest priority for the defence relationship.⁹² During 2013 and 2014, for example, this included a number of ship visits and passage exercises—HMAS *Darwin* visited Kochi in February 2014 for a port visit and passage exercise, and the INS *Sahyadri* conducted a port visit to Darwin in June 2014, as well as earlier participating in the Royal Australian Navy's (RAN) International Fleet Review in Sydney in October 2013.

The RAN also participated in India's biennial 'MILAN' Maritime exercise in the Bay of Bengal in March 2014. The two navies also maintain a reciprocal training position in each country to improve people-to-people links, and Navy Staff Talks in June 2014 identified the potential for further exercise activity, including in specialist fields such as unexploded ordnance.

The improving maritime security cooperation is further reinforced by the engagement occurring within the Indian Ocean Naval Symposium (IONS). This multilateral maritime security initiative was established under Indian leadership in 2008 and seeks to increase cooperation among the navies of the Indian Ocean littoral states by providing an open and inclusive forum to 'enhance safety and security, to share knowledge, and to support disaster relief and humanitarian assistance'.⁹³

The RAN assumed chairmanship of IONS for 2014-15, with Australia's Chief of Navy successfully hosting the fourth IONS in Perth in late March 2014. Furthermore, preparations are well advanced for the inaugural Australia-India bilateral maritime exercise to be conducted in 2015. As a consequence, it is assessed that the relationship between the Australian and Indian navies is progressing in the right direction with robust linkages being established and a plan to further enhance the relationship in the coming years. However, the depth of the Navy-to-Navy relationship has not yet been reflected in the bilateral relationships between the other branches of the military.

The Army-to-Army relationship continues to be modest.⁹⁴ The bulk of the engagement is focused at the senior officer level, with virtually no engagement at the operational or tactical level. In September 2013, Australia hosted a visit by India's Chief of Army Staff. During the visit, the Australian Chief of Army and India's Chief of Army Staff discussed the progression of a number of practical engagement initiatives to strengthen the relationship. This included reciprocal senior guest speaker visits and potential subject-matter expert exchanges in counter-improvised explosive device technology.

The biennial Australia-India Army Staff Talks in August 2014 also agreed in-principle to establish a bilateral Army exercise; to consider joint logistical training for operations in remote locations; and to consider the establishment of a one-year Indian Officer instructor posting to the Royal Military College, Duntroon. Furthermore, India is seeking an opportunity for its special forces, specifically its National Security Guard, to conduct a visit to Special Operations Command-Australia in 2015.⁹⁵ While these developments are very encouraging, there clearly is scope for further long-term investment in the relationship.

The Australia-India Air Force-to-Air Force relationship continues to be embryonic but has the potential to be strong.⁹⁶ Australia and India share a number of common Air Force platforms, specifically the C-17 Globemaster, C-130J Hercules, P3 Orion and the incoming P8 Poseidon, which is operated as the P8I Neptune by the Indian Air Force. These common platforms should enable the Air Force relationship to be enhanced via common platform engagements, sharing of maintenance knowledge and information sharing for aviation safety.

To date, however, the Air Force-to-Air Force relationship has largely been constrained to senior officer visits. Australia's Chief of Air Force most recently visited India in December 2012. Over the last decade, the Royal Australian Air Force has attempted to progress this relationship by regularly inviting the Indian Air Force to attend the annual Exercise KAKADU, which would be particularly relevant to India's maritime surveillance capabilities, however India's attendance has been infrequent. During the last Air Force Staff Talks in

late 2012, there were discussions regarding potential opportunities for future engagement, including training, doctrine, aviation safety and common platform engagement, which presumably are being progressed.

The other component of the defence relationship that needs further development is the relationship between the public servants of the Australian and Indian Departments of Defence.⁹⁷ Australian Defence officials have indicated that to facilitate Indian bureaucratic support for establishing a more effective defence relationship there is a need for Australia to improve its ties with the Indian civilian defence bureaucracy, which closely manages India's defence engagement. However, India's defence engagement staff has limited capacity to significantly increase their current level of activity, understandably focusing their effort on higher priority relationships, such as with the US, which unfortunately can be at the expense of the Australian relationship.⁹⁸

Given the numerous challenges to the enhancement of the Australia-India defence relationship, it is generally agreed that Australia needs to approach the development of its defence relationship with India as a continuous and consistent long-term effort.⁹⁹ The current status of the relationship also indicates that Australia needs to patiently focus on engagement activities that emphasise congruence and common security priorities. A good example is shared maritime security interests in the Indian Ocean, where patient engagement has built rapport and significantly influenced the successful progression of the Australia-India Navy-to-Navy relationship.

Policy overview

Australia needs to recognise in its international defence policy for India that the burden of strengthening the relationship with India resides primarily with Australia. Apart from the maritime security aspect of the relationship, there is little imperative within the Indian bureaucracy to prioritise the establishment of a comprehensive and constructive defence relationship with Australia. Moreover, Australia also needs to recognise that the limited capacity of the Indian defence bureaucracy—including the pressure on their staff to service the increasing level of international engagement being undertaken by the Indian military—is a constraint on the broadening of the relationship.¹⁰⁰ Therefore, Australia needs to take a measured and incremental approach to enhancing the relationship.

Meaningful interaction is an essential component of this approach, with Australia patiently persisting in engaging India at the government level, Service Chief level and through think tanks, including via the nascent 1.5 track defence strategic dialogue, on congruent security interests. Consequently, Australia should seek to gradually expand this dialogue beyond maritime security to include other areas of converging interest such as, but not exclusive to, the military contribution to counter-terrorism.

Initiative 1.1. Improve the quality and substance of bilateral defence meetings

Meaningful interaction across the broader converging areas of interest is a mechanism that Australia can utilise to provide consistent assurances to India to build trust, remove suspicions of Australia's intent and deepen the understanding in India of the importance of Australia's and India's strategic convergence. Furthermore, Australia should also work to improve the people-to-people links at the operational and tactical level. Australia should take lessons from its experience in building robust people-to-people links with the Indonesian military over the last three decades to inform the development of improved linkages with the Indian military and their Department of Defence.

One avenue would be to improve the quality and substance of bilateral defence meetings in order to enable more complex defence collaboration. Apart from the maritime security-related bilateral meetings, most meetings lack substance, and officials generally lack the authority to approve initiatives developed within these meetings. Furthermore, there have been instances where the implementation of initiatives thought to have been previously agreed is subsequently delayed or blocked.¹⁰¹ Consequently, a number of bilateral meetings now contain agenda items with outcomes approved in advance, thereby undermining any meaningful exploration or discussion of important issues. This informs a perception that there is no real exchange of genuine ideas or opinions, which creates an impersonal atmosphere within these bilateral meetings.

This policy initiative suggests that bilateral meetings between senior Australian and Indian defence officers and officials need to become less output driven and more conversational. Such an approach would facilitate the building of rapport and enable a better understanding of each other's perspective, providing the opportunity in the medium term for more productive discussions on issues that require more substantive outcomes. This would not be easy to implement as both parties would need first to agree that there is a problem to be resolved. Moreover, at present, the current system of managing bilateral defence meetings would seem to be working sufficiently well to provide both parties with a reasonable degree of confidence that their strategic interactions are producing suitable outcomes at this stage of their defence relationship.¹⁰²

However, as the Australia-India defence relationship progresses, there needs to be an effort to incrementally change the way that senior level meetings are conducted. This could include investing more time in producing agendas and

meeting structures that better facilitate the sharing of ideas through genuine discussions. This would require both sides taking the risk of reducing the tight bureaucratic controls on their official dialogue and providing the appropriate authority to their senior representatives to contribute in a genuine manner. It is accepted that this would take time to implement. Nevertheless, the positive progress being made within the Australia-India Navy-to-Navy relationship—including within the IONS forum—provides an example of how genuine discussions and opportunities for improved consultation could improve the overall defence relationship.

Initiative 1.2. Increase opportunities for the Indian military and Ministry of Defence civil servants to attend Australian professional military education courses

The establishment of robust people-to-people linkages is critical to strengthening defence cooperation. Australia has been successful in utilising the provision of professional military education courses as a tool to improve people-to-people linkages with regional militaries. This has been exemplified by the robust defence relationship between Australia and Indonesia, which is heavily influenced by the deep people-to-people linkages between the two militaries. These linkages have been underpinned by the longstanding professional military education courses that Australia has offered to and have been taken up by Indonesia. In 2013, this comprised some 150 positions.¹⁰³

Moreover, this program has enabled the establishment of the Indonesia-Australia Defence Alumni which provides a conduit to sustain the people-to-people links established on professional military education courses. The Alumni also provides opportunities for the development of further people-to-people linkages, such as the Alumni-sponsored program that 'invites the top fifteen graduates from the Indonesian Defense University and their Staff and Command Schools to Australia to familiarize themselves with the Australian military and culture'.¹⁰⁴

The people-to-people links established through the provision of professional military education courses and the Alumni have been so successful that the use of the relationships between senior Australian and Indonesian military officers—involving both active and retired officers—has been a useful diplomatic tool for the respective governments when addressing issues that may arise within the Australia-Indonesia strategic relationship.¹⁰⁵ As a consequence, the Australia-Indonesia experience provides a useful model for enhancing the Australia-India defence relationship, specifically the people-to-people links.

In contrast, Australia only provides limited opportunities for Indian defence personnel to attend Australian professional military education courses.¹⁰⁶ Currently, there are two positions allocated for Indian officers to attend courses at the Australian Defence College. Attendance is funded by Australia and offered on a rotational basis between the Indian Navy, Army and Air Force. One position is for a Major equivalent on the Australian Command and Staff College—out of 45 positions offered to foreign students—and one for a Colonel equivalent at the Centre for Defence and Strategic Studies—out of 23 positions offered to foreign students.

There is also a standing offer, not yet taken up, for India to send officer cadets to the Australian Defence Force Academy. The Australian and Indian Navies have also established a reciprocal training position for mid-ranking officer training. Additionally, the most recent Australia-India Army Staff Talks agreed in-principle to consider the establishment of a one-year posting for an Indian officer as an instructor at the Royal Military College, Duntroon.

However, this modest program does not adequately support the establishment of useful people-to-people linkages or facilitate enhanced defence cooperation, especially considering the size of the Indian military.¹⁰⁷ Participation on professional military education courses has a positive impact on the participants and their country beyond the academic qualifications earned. Exposure to the ADF via professional military education would improve India's knowledge of Australian doctrine, operational and strategic planning processes, and military culture. That, in turn, would improve further opportunities for military-to-military interaction, information sharing, joint planning and bilateral exercises, any of which would contribute to the overall enhancement of defence cooperation.¹⁰⁸

As a consequence, it is recommended that Australia increases the number of positions allocated to India on its professional military education courses to include three positions on the Australian Command and Staff College and four positions on the Centre for Defence and Strategic Studies course. That would enable a position to be offered to each of India's military services—Navy, Army and Air Force—on both courses, with the fourth position on the Centre for Defence and Strategic Studies' course offered to India's Defence civil service.

Australia should also invite India to provide an instructor to the Australian Command and Staff College and reinforce the standing offer for India to send officer cadets to the Australian Defence Force Academy. In the medium term, Australia should seek India's agreement that these become reciprocal arrangements, albeit with Australian funding to expand this initiative. Should this initiative be implemented, Australia could in the medium term propose the establishment of an India-Australia Defence Alumni to serve a similar function

to the Indonesia-Australia Defence Alumni. In time, the two Alumni could potentially be affiliated.

Policy resistance

India would understandably not want these initiatives to be perceived as being drawn into an alliance-like arrangement. It is also possible that the limited capacity of India's defence bureaucracy could preclude meaningful progress in the short term. Nonetheless, there is a need to seek India's agreement to incrementally implement measures that strengthen the defence relationship by improving the defence dialogue and increasing people-to-people linkages through increased participation in Australian professional military education courses. Improved defence dialogue would provide the platform to reassure India that Australia is not seeking an alliance but is seeking to strengthen the defence relationship. A key component of this reassurance would be consistent messaging and a reinforcement of the mutual benefits of the policy.

Furthermore, there may be some in the Australian and/or Indian bureaucracy who believe that the current substance and structure of the defence relationship is adequate. Any such belief could be countered by detailing the less-than-mature nature of the current defence relationship and the joint Prime Ministerial commitment in September 2014 to deepen the framework of defence cooperation. It could also be addressed by drawing on assistance from the Department of Foreign Affairs and Trade to seek India's Ministry of External Affairs support for improving the substance of these dialogues and gaining authority to increase Indian participation on Australian professional military education courses.

Key implementation actors

International Policy Division within the Department of Defence would likely be the lead agency in implementing these initiatives. It would need to work closely with the Service Chiefs and the Vice Chief of the Defence Force in the development and progress of these initiatives, at least in relation to the Australian Defence College components of the initiative. International Policy Division would also need to seek assistance from the Department of Foreign Affairs and Trade to gain support for these enhancements from India's Ministry of External Affairs.

Resources

The implementation of the proposed policy initiatives would require an increase in the International Policy Division's budget and potentially an additional staff member within the South Asia Section of its Global Interests Branch. Currently, International Policy Division has budgeted some \$450,000 for engagement with

India, which includes the funding for Indian students on Australian professional military education courses (but not Australian staffing costs). The proposed increase in positions on the Australian Defence College courses would also likely require a review of instructor staffing and other resources, and may have follow-on implications for accommodation/facilities and the overall number of students (both ADF and international).

It is anticipated that the India engagement budget would need to be increased by \$2-3 million to implement these initiatives. The reciprocal exchanges would require further resources, both money and staff, but the planning horizons for this component of the initiative provides sufficient time to develop a better understanding of the additional cost. While the proposed policy would be relatively expensive to implement, especially initiative 1.2, it is assessed that this investment has the potential to significantly enhance the relationship in the medium term.

Policy recommendation 2. Enhance military counter-terrorism cooperation

Policy rationale

The 2009 India-Australia Joint Declaration on Security Cooperation identified that India and Australia will cooperate in their 'efforts to combat terrorism'.¹⁰⁹ As a consequence, a Joint Working Group on Counter-Terrorism has been established to enable '[b]ilateral consultation to promote counter-terrorism cooperation'.¹¹⁰ The Australian lead for this consultation has been the Ambassador for Counter-Terrorism, with support from the Attorney-General's Department—including the Australian Federal Police—and the Department of Defence.¹¹¹

The primary outcome of this working group has been improved information sharing and enhanced police-to-police assistance. This achievement was formally recognised by Australia and India during the 2014 visit to India by the Australian Prime Minister. However, there is little evidence to suggest that the defence component of this cooperation has progressed beyond the dialogue phase and senior officer visits.

Australia's 2013 *Defence White Paper* asserted that '[o]ver the last decade counter-terrorism cooperation has been a prominent element' of achieving the goals of Australia's international engagement.¹¹² Furthermore, the White Paper indicated that counter-terrorism cooperation has 'assisted Australia to

build effective relationships with its close neighbours and the development of regional defence forces'.¹¹³ This should be no different in the Australia-India defence relationship.

The emergence of the terrorist group Islamic State and its subsequent stated threat against both Australia and India provides further motivation to improve Australia-India military counter-terrorism cooperation. However, current cooperation has been limited to senior officer visits, a small Australian Special Forces contingent conducting joint adventure training in the Himalayas with the Indian Army Special Forces, and small numbers of Australian Special Forces personnel undertaking the Indian Army Special Forces Mountain Warfare Course.¹¹⁴

There is little evidence to suggest that Special Operations Command-Australia and India's National Security Guard—the two organisations with primacy for military counter-terrorism response—have conducted any engagement beyond senior officer visits and low-level bilateral dialogue although, during the biennial Australia-India Army Staff Talks in August 2014, there reportedly was in-principle agreement to scope a counter-terrorism focused visit to Special Operations Command-Australia by India's National Security Guard in 2015.¹¹⁵

This policy initiative would fill a niche that other potential security partners could not, especially since the similarity in national approaches provides a logical platform for enhancing military counter-terrorism cooperation between Australia and India. Furthermore, this policy initiative would enable Australia and India to enhance their overall defence relationship in a manner that is unlikely to be misconstrued by China as a containment activity or counter to its interests.

Policy overview

Australia needs to further develop its military counter-terrorism cooperation with India by seeking to develop an improved relationship between Special Operations Command-Australia and India's National Security Guard. Australia and India share a common approach to the employment of their military in response to domestic terrorism. Both rely on other departments or agencies to lead the response to threats such as terrorism, reinforcing the primacy of the civil authorities, and only use their military to resolve terrorist incidents for *in-extremis* situations.¹¹⁶ However, both Australia and India have tasked their militaries, specifically Special Operations Command-Australia and the Special Action Group of India's National Security Guard to be capable and prepared to provide support to the civil authorities to prevent or respond to terrorist threats.¹¹⁷

Initiative 2.1. Increase dialogue, visits and exchanges between the Special Operations Commander-Australia and the Commander of India's National Security Guard

The appointment of a new Special Operations Commander-Australia in January 2015 provides an ideal opportunity for the relationship to be re-energised, prospectively using security arrangements for the 2018 Commonwealth Games (to be held in Australia) to seek deeper engagement with the Commander of India's National Security Guard. In particular, Australia could seek to learn lessons from the National Security Guard's support to the 2010 Commonwealth Games in New Delhi and its response to the Mumbai terrorist attacks of 2011.

Such an approach should provide for meaningful interaction and enable the two commanders to seek further cooperation at a level of engagement suited to both parties. Once again, Australia should draw from its lessons of engaging with the Indonesian military, in this case their special forces (Kopassus). Special Operations Command-Australia's patient approach of engaging Kopassus over many years has paid dividends, with the relationship developing incrementally into one of Australia's most important special forces relationship.¹¹⁸ To replicate this experience, Australia should offer India the opportunity for its special forces officers to attend professional military education courses in Australia.

Additionally, the outcomes of the 2012 review by the Naresh Chandra Task Force on India's National Security arrangements provide another opportunity for Commander Special Operations-Australia to engage with the Commander of India's National Security Guard. The Task Force identified the need for a unified Joint Special Operations Command in order to 'bring together the existing special forces of the Indian Army, Navy, Air Force and other relevant agencies under a unified command and control structure to execute strategic or politico-military operations in tune with India's national security objectives'.¹¹⁹ Australia could use the enhanced dialogue between the two commanders to gain a better understanding of the implications of this proposed change and offer Australia's assistance in establishing this joint command arrangement should it be approved by the Indian Government.

Initiative 2.2. Conduct annual counter-terrorism workshops to exchange experience and knowledge

The hosting by Special Operations Command-Australia of annual counter-terrorism workshops with India's National Security Guard to exchange experience and knowledge would provide another opportunity to enhance military counter-terrorism cooperation. The workshops could be recommended during the previously-identified commanders' dialogue and initially be used as part of Special Operations Command-Australia's build-up training for the 2018 Commonwealth Games.

They would provide an opportunity to develop people-to-people linkages at the mid-ranking levels of both organisations by exposing the Australian and Indian special forces personnel to each other on regular intervals. The workshops could also include other Australian agencies and departments involved in counter-terrorism response—especially during the build up for the 2018 Commonwealth Games—thereby providing a broader audience to share the experience of India's National Security Guard.

These workshops could also form the building block for more substantial engagement, such as training exchanges and inviting India's National Security Guard to provide observers for Special Operations Command-Australia's contribution to the 2018 Games. Participation in professionally-conducted workshops has a positive impact on participants and their respective units beyond the immediate lessons learnt.

Exposure to Special Operations Command-Australia would improve the understanding of India's National Security Guard in Australia's special operations doctrine, which has been contemporised during the last decade of war, as well as operational planning processes and culture. The workshops would also provide an opportunity to incrementally broaden the relationship between Special Operations Command-Australia and India's National Security Guard, and other elements of India's special operations community. Consequently, this policy initiative would be expected to incrementally contribute to the enhancement of the overall defence relationship.

Policy resistance

This initiative may face some resistance from within the Indian defence bureaucracy in the context of the relative priority given to enhancing the defence relationship with Australia. Enhanced military counter-terrorism cooperation, in particular, may be viewed as a new relationship that adds work to an already overloaded engagement agenda. However, any such resistance

could be ameliorated by Australia initially funding the full cost of the enhanced engagement and incrementally implementing the policy over several years, with the aim of conducting the first counter-terrorism workshop in 2017.

There may also be some resistance from the Indian government departments that contribute to the National Security Guard, although this may change should India establish the proposed Joint Special Operations Command. There would also be a requirement to alleviate any concerns from the special operations communities in India and Australia, noting that they are both managing high levels of operational tempo. Furthermore, there may be some resistance at the unit level within Special Operations Command-Australia, because their experience has primarily been within the 'five-eyes' community of the US, UK, Canada and New Zealand.

As a consequence, there would be a need to clearly articulate how the investment of time and effort by Special Operations Command-Australia and India's National Security Guard would pay dividends in the medium term, both in terms of counter-terrorism cooperation and overall Australia-India defence cooperation. Additionally, a robust and convincing narrative that accurately reflects Australia's national interests and objectives in its relationship with India needs to be developed by Special Operations Command-Australia in order to ameliorate any concerns that might arise within the organisation.

There may also be some resistance from other Australian Government departments and agencies that are already contributing to Australia-India counter-terrorism cooperation. While this policy initiative would complement the work already been undertaken by other departments and agencies, there may be some resistance because of concerns that this initiative could undermine the cooperation already established or draw funding from their existing programs.

As a consequence, Defence would need to closely coordinate the implementation of this initiative with the Ambassador for Counter-Terrorism and the other departments and agencies involved in order to ensure that it does not undermine existing arrangements. To further ameliorate any such concerns, Defence would also need to demonstrate that this is a defence-related initiative that draws its funding from Defence's budget.

Key implementation actors

The Ambassador for Counter-Terrorism is the lead entity for developing and implementing Australia's international counter-terrorism efforts. This includes 'coordinating policy cooperation, capacity building and operational collaboration between Australian agencies and international counter-terrorism partners'.¹²⁰ Within the Department of Defence, the lead agency for

implementing this policy initiative would be Special Operations Command-Australia with support from International Policy Division.

Special Operations Command-Australia would need to work closely with the Ambassador for Counter Terrorism to build a convincing narrative to influence India's participation, which could be achieved via the Joint Working Group on Counter-Terrorism. Furthermore, Special Operations Command-Australia would need to closely coordinate the implementation of this policy initiative with other Australian Government departments and agencies to ensure that it did not unintentionally undermine other Australia-India counter-terrorism cooperation initiatives. This would include coordination with the Department of Foreign Affairs and Trade, the Attorney-General's Department and the Australian Federal Police.

Resources

Although the initiative would require a modest increase in staff effort across a range of government departments and agencies, it could leverage from the staff effort already allocated to support the Joint Working Group on Counter-Terrorism. Within Defence, its development and implementation would most likely require an initial project team of one to two personnel within Special Operations Command-Australia. The team would provide continuity, especially important when coordinating with other government departments and agencies, and with the Indian defence bureaucracy. As the initiative shifted to a 'steady state' relationship, the workload could likely be absorbed into the existing international engagement staff of Special Operations Command-Australia.

In terms of funding, the existing Defence Cooperation Program budget allocation for India would likely need a modest increase from its current budget of around \$450,000 (for 2014-15). It is estimated that initiative 2.1 would require an increase of approximately \$8000 a year to enable Special Operations Commander-Australia to conduct at least annual counterpart visits to India's National Security Guard. Initiative 2.2 would likely require a modest increase to the budget, especially if Australia were to fund the full cost of annual counter-terrorism workshops, with the main element being the travel cost of Indian participants.

Conclusion

This policy paper has identified that, as a consequence of India's recent re-emergence as a regional power, there has been increased convergence in the strategic interests of Australia and India, which has provided particular impetus to influence the development of an enhanced defence relationship. These converging strategic interests are being shaped by the behaviour by China and the shared desire of Australia and India to maintain stability in the Indian Ocean region, as well as shared counter-terrorism concerns.

These converging strategic interests influenced the development of the Joint Declaration of Security Cooperation in 2009, which established the framework for security cooperation between the two countries. The requirement to improve security cooperation has been further reinforced as a result of a number of high-level meetings between India and Australia. This included the 2014 visit to India by the Prime Minister of Australia, during which both Prime Ministers committed to enhancing the Australia-India defence relationship.¹²¹

However, this paper has also argued that the enhancement of the defence relationship, as envisaged in the joint declaration and in subsequent high-level government announcements, is challenged by a certain asymmetry in security interests between the two countries. It includes differing strategic cultures, divergent views regarding China's intent in the Indian Ocean region, and differing perspectives of the role of defence relationships to further foreign policy aims. Despite these challenges, there is evidence that there are positive defence relationship outcomes being achieved, notably as part of the improving maritime security cooperation that is already occurring between the Australian and Indian navies.

The paper has proposed two key policy initiatives that would contribute to further enhancing Australia's defence relationship with India, with the end state of delivering a more substantive and constructive relationship. In the first instance, there is a need to incrementally implement measures that improve the level of substantive interactions within the relationship. This would include working from the 'top down', by improving the quality and substance of bilateral meetings, and by also addressing the relationship from the 'bottom-up', by improving people-to-people links.

The paper has argued that a medium- to long-term policy that would have the most significant impact on enhancing people-to-people links would be an initiative to increase the opportunity for Indian military personnel and civilservants to attend Australian professional military education courses. The resultant improvements in people-to-people links should enhance the relationship in a similar way to the successful program that Australia has implemented with Indonesia. Such an initiative would expand the Indian military's knowledge of the Australian military, thereby providing more substance to the relationship by improving opportunities for military-military interaction, information sharing and joint planning, all of which would help enhance overall defence cooperation.

Improving Australia-India military counter-terrorism cooperation would provide another opportunity to add more substance to the defence relationship. India has expressed an interest in improving its military counter-terrorism cooperation with Australia, demonstrated by the mutual agreement to scope a counter-terrorism focused visit to Special Operations Command-Australia by India's

National Security Guard in 2015. Such a visit would provide the opportunity for Special Operations Command-Australia to further develop the relationship by first increasing the dialogue between Special Operations Commander-Australia and the Commander of India's National Security Guard.

It would also provide the opportunity to seek agreement from India to conduct annual military counter-terrorism workshops to exchange experience and knowledge, utilising the upcoming 2018 Commonwealth Games in Australia as the catalyst for enhancing the relationship. Subsequently, this initiative would provide an opportunity for Special Operations Command-Australia to incrementally broaden its relationship with India's National Security Guard and other elements of India's special operations community, thereby contributing to a more substantive and constructive defence relationship with India.

These policy initiatives would provide opportunities to enhance the Australia-India defence relationship by providing measures that complement the positive effects gained from the maturing maritime security cooperation between the two countries. However, the paper has also concluded that Australia will need to demonstrate patience in developing this relationship as it did when developing the Australia-Indonesia defence relationship.

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China's Growing Influence in the South-West Pacific: Australian policies that could respond to China's intentions and objectives

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Abstract

This paper analyses interests, policies and actions of Australia and China with respect to the South Pacific island nations, in particular those members of the Pacific Islands Forum. The paper cautions that China's influence in the South Pacific should not be over-stated. However, it also suggests that China's growing influence has eroded Australia's standing and leadership role, and that Australia can and should be doing more to rebalance China's influence.

The paper argues that a number of Australia's existing policies should be reviewed, namely in relation to the Seasonal Workers Program, aid coordination and joint Australia/China aid projects, the Cairns Compact (on strengthening development coordination), and the US presence in the South Pacific. It also argues for a new policy of relationship management with South Pacific island leaders. The paper concludes that China's aid and trade can contribute significantly to the prosperity and development of the South Pacific, and that Australia should look to work with the region and China to maximise the benefits to the mutual benefit of all parties.

Introduction

Australia's over-riding national interest—and that of Pacific nations—is for the Pacific to be stable and secure, peaceful and prosperous. Because it is our neighbourhood, I believe Australia has a primary responsibility to help drive economic development, reduce poverty and lift standards of living in the Pacific.

Julie Bishop, Australia's Minister for Foreign Affairs, June 2014 ¹

The expansion of Chinese influence [in the South Pacific] reflects more than a benign attempt to gain access to the region's abundant minerals, timber and fisheries. Strategic issues often have economic faces. Rising Chinese activity in the region has a broader twofold purpose: to sideline Taiwan and to undermine ties between Pacific island nations and regional powers such as the United States, Australia and Japan. It should be seen as part of a longer-term political and strategic investment aimed at challenging the leadership of the United States in the greater Asia Pacific region.

Susan Windybank, 'The China Syndrome', 2005 ²

The rise of China in the late 20th and early 21st centuries is an exceptional phenomenon, subject to extensive analysis and prediction. Rarely is a contemporary security or foreign affairs journal published without at least one article devoted to China's impact on the geopolitical landscape—and with good reason. China is a large and growing power, with an economy that surpassed Japan as the world's second largest in 2010—and it appears set to eclipse that of the US, the world's largest economy, sometime in the next 10 to 15 years.³ Meanwhile, China's military modernisation has been extensive, making its closest neighbours nervous and driving the US military to develop and acquire capabilities to directly counter those of China.⁴

The growth of China's national power appears boundless, even if it is so far commensurate for a nation as physically large and populous as China. What China intends to achieve with that power and how that power will be wielded is a global concern and at the heart of great power rivalry between China and the US. However, of more concern to Australia—a middle power on the periphery of that great power tussle—is the influence that China wields in Australia's immediate region, especially among the island nations of the South Pacific.

The South Pacific islands feature prominently in Australia's geostrategic perspective and are central in the formulation of Australia's foreign and defence policies. Australia's Defence White Papers over the last 40 years have placed self-reliance in defence of Australia as the top priority and, in doing so, have recognised that a crucial aspect of that defence is the ability of any hostile force to use the Pacific island nations as bases from which to attack.

In more recent years, Australian policy has emphasised a raft of other, more likely threats to Australia's national interests in the South Pacific, notably social

and political instability, and transnational crime. Australia has implemented a range of policies intended to shape the nations of the South Pacific, with aid and trade at the forefront of this diplomacy. However, China has increased its own presence in the South Pacific through a range of measures, including development aid, low-interest loans and expanding trade.

When considered in the context of recent assertiveness in the South China Sea and modernisation of its military, questions arise as to China's intentions. Australia must, therefore, continue to develop and implement policy that balances its crucial trade relationship with China against the desire to retain an overriding influence in the South Pacific region.

This paper analyses interests, policies and actions of Australia and China with respect to the South Pacific island nations, in particular those members of the Pacific Islands Forum, comprising Papua New Guinea (PNG), Solomon Islands, Vanuatu, Fiji, Nauru, Samoa, Kiribati, Niue, Cook Islands, Tonga, Federated States of Micronesia, Palau, Marshall Islands and Tuvalu. It begins by defining the Pacific islands region and the sub-regional groups, before analysing what the academic discourse is saying about China's intentions, objectives and impact in the South Pacific. The paper then examines the interests of both Australia and China in the South Pacific.

The paper notes that Australia's key interests in the South Pacific are stability and security, which involves defence cooperation with regional states and the conduct of military operations as required.⁵ The paper also notes, however, that China's growing influence has come at the expense of Australia's and that Australia can and should be doing more to rebalance China's influence. The paper argues that a number of existing policies should be reviewed, namely in relation to the Seasonal Workers Program, aid coordination and joint Australia/China aid projects, the Cairns Compact (on strengthening development coordination), and the US presence in the South Pacific. It also argues for a new policy of relationship management with South Pacific island leaders.

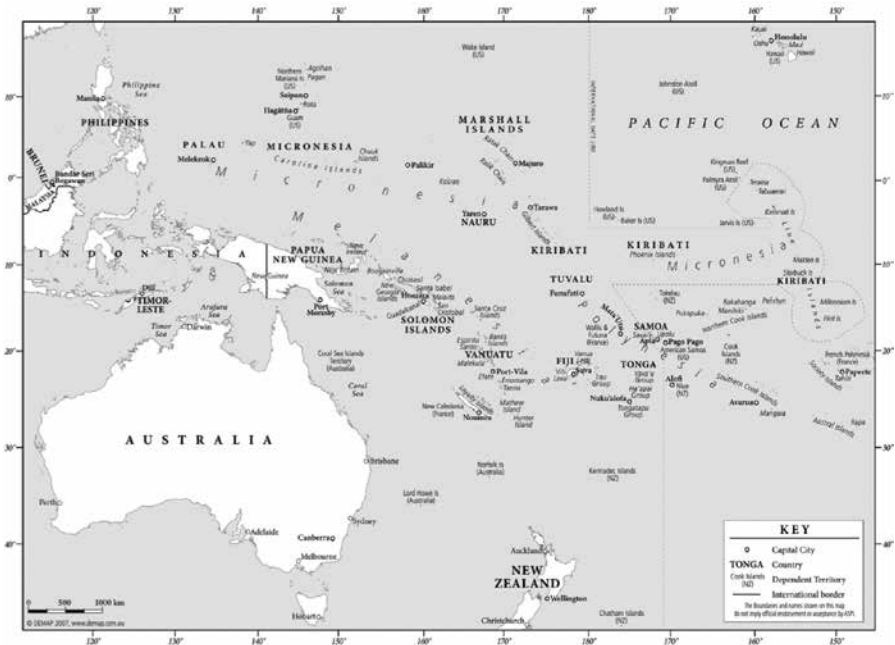
Definitions and context

For context in discussing Australian policy and action in the South Pacific, this paper defines the Pacific islands region and the political alignment of its 22 states as shown in Table 1. Their relative locations and spread across the Pacific Ocean are shown in Figure 1.

Table 1: Entities and political alignment of the Pacific islands region ⁶

Pacific island entity	Political alignment
American Samoa	US territory
Cook Islands	free association with NZ
Federated States of Micronesia	free association with US
Fiji	independent
French Polynesia	overseas territory of France
Guam	US territory
Kiribati	independent
Marshall Islands	free association with US
Nauru	independent
New Caledonia	overseas territory of France
Niue	free association with NZ
Northern Mariana Islands	Commonwealth of the US
Palau	free association with US
Papua New Guinea	independent
Pitcairn Islands	dependency of the UK
Samoa (formerly Western Samoa)	independent
Solomon Islands	independent
Tokelau	territory of New Zealand
Tonga	independent
Tuvalu	independent
Vanuatu	independent
Wallis and Futuna	overseas territory of France

Figure 1: Australia and the Pacific islands region⁷



The eight territories belonging to the US, UK, France and New Zealand have their security guaranteed, are politically stable, and their economies are subsidised through their incorporation with their parent states. Of the remaining 14 entities, five are freely-associated states and are also subsidised by the US or New Zealand and have special migration freedoms not available to other states, while continuing to enjoy the status of independent nations. The nine independent states exist mostly in the South West Pacific, albeit parts of Kiribati are north of the equator, and comprise 90 per cent of the Pacific islander population. Table 2 lists the nine independent states and their approximate populations and land areas.⁸

Table 2: The population and land area of independent Pacific island states ⁹

State	Population	Land Area (km ²)
Fiji	837,000	18,272
Kiribati	98,000	811
Nauru	12,000	21
Papua New Guinea	7,500,000	462,243
Samoa	185,000	2934
Solomon Islands	550,000	28,530
Tonga	102,000	699
Tuvalu	10,500	26
Vanuatu	221,000	12,190

China's motives in the South Pacific

In general, there are two basic perspectives regarding China's motives in the South Pacific. One subscribes to the 'China threat' theory, which is prevalent in the broader context of China and US strategic competition in Asia and the Pacific. It uses China's actions in the South and East China Seas, and China's broader strategic competition in the Asia-Pacific with the US, as evidence of China's intent to erode US influence and establish its own hegemony.

In 2003, John Henderson and Benjamin Reilly argued that 'China is in the process of incorporating the Pacific islands into its broader quest to become a major Asia-Pacific power at the expense of the United States, Japan and other Western allies' and that part of that strategy would be to base military capabilities in the region akin to the so-called 'string of pearls' that China has established across the Indian Ocean.¹⁰ Susan Windybank goes further and singles out the South Pacific as an area 'attractive as a testing ground for China's growing power and ability to shore up allegiance in a region hitherto considered an "American lake"'.¹¹ Moreover, Windybank believes that:

Chinese influence coincides with growing political instability in a region facing an uncertain economic future, thus making the [South Pacific] islands vulnerable to manipulation.¹²

The other perspective on China's motives is much more benign and holds that China's interests in the South Pacific are very much aligned with its interests in Africa and are simply driven by the need for natural resources. Several commentators make strong cases to support this perspective, with Jenny Hayward-Jones, for example, asserting that:

[T]here is little evidence that China is doing much more than supporting its commercial interests and pursuing South-South cooperation in the region. Even if China's interests go beyond these interests, its ability to seriously challenge the role of longstanding powers in the region, such as Australia and the United States, is limited.¹³

Along similarly-benevolent lines, Yongjin Zhang notes that:

Chinese power ... has become significant only in the context of the withdrawal and decline of other traditional powers in the Pacific, most notably the US and Great Britain. In other words, China has become a regional power in the Pacific by default.¹⁴

Putting aside any notions of China's geostrategic malevolence, China's presence does present concerns for Australia's interests in the South Pacific. Key among those concerns is China's unique approach to the provision of aid with 'no strings attached'. China is not a member of the OECD's Development Assistance Committee, which provides policy guidance for most traditional (Western) donors, including Australia.¹⁵ Instead, China asserts its adherence to 'eight principles' for economic and technical assistance to other countries, first espoused in 1964 by then Premier Zhou Enlai, which reflect China's overall approach to international engagement, especially with respect to another country's sovereignty and independence, and most notably state that China's aid 'never attaches any conditions'.¹⁶

A central tenet of OECD policy is the use of conditionality to require improvements in governance and accountability to ensure that the donor's money is used for the purpose for which it was given and to instil the right processes and procedures so often lacking in receiving countries. That China's aid can be obtained without any such conditions undermines the efforts of other donors, including Australia, in achieving lasting improvements in the sustainability of good governance functions in recipient nation bureaucracies. Notwithstanding the claim that China's aid is provided without condition, there is nearly always one condition, which is that a receiving country must officially recognise the People's Republic of China and not the Republic of China (Taiwan).¹⁷

Competition between China and Taiwan for recognition and influence in the South Pacific has been a concern for Australia, especially during the 2000s. Noting that a cluster of six Pacific island states recognise Taiwan, a number of commentators have concluded that the principal goal of China's presence in

the South Pacific has been to isolate Taiwan.¹⁸ An Australian Senate report in 2006 noted:

Diplomacy and aid in the Pacific region are intrinsically linked as the PRC and Taiwan compete for recognition, often utilising the blunt foreign policy tool of aid payments. Amongst some Pacific island nations, competition between the PRC and Taiwan for diplomatic recognition has, on occasion, appeared to take on the characteristics of a bidding war, conducted mainly through bilateral 'aid' payments.¹⁹

Competing aid, including reports of cash payments to politicians, was a factor in the instability and degradation of security in the Solomon Islands in 2003. A change in Taiwan's government in 2008 has resulted in a tempering of the 'dollar diplomacy' of the earlier 2000s, although this apparent truce could easily be undone. Another bidding war of the sort that emerged in the 2000s would be destabilising for South Pacific security and therefore inimical to Australia's national interests.

Notwithstanding this negative aspect to China's presence in the South Pacific, Australia has repeatedly welcomed China's interactions in the region. In 2012, then Australian Parliamentary Secretary for Pacific Island Affairs, Richard Marles, stated that 'China's increased presence in the Pacific is fundamentally welcomed by Australia'.²⁰ More recently, the Australian Parliamentary Secretary to the Minister for Foreign Affairs, Senator Brett Mason, echoed the sentiment in his address to the 2nd China-Pacific Island Countries Economic Development and Cooperation Forum.²¹ Publicly at least, Australia sees the value of China's presence in the South Pacific but there are more issues than the 'dollar diplomacy' that became prevalent in the competition for recognition between China and Taiwan.

At first glance, China's trade with South Pacific states is a welcome and important source of income and development for these nations. However, a closer examination reveals concerns with a range of associated issues. Mineral resources are a particularly valuable source of income for PNG and Fiji but the Chinese experience of mining in Africa appears to be replicated in the South Pacific. Stewart Firth and Katherine Hannan note that hallmarks of China's overseas investment are the absence of environmental impact assessments and lack of adherence to human rights of local employees, as well as poor governance; moreover, 'Chinese companies use Chinese-sourced materials and machinery and have preferred Chinese rather than local contract workers'.²²

China's overseas investment is often portrayed as a 'win-win' outcome but, for many in the Pacific islands, the Chinese are better known as exploiters and harsh employers.²³ Finally, there is also strong evidence to show that China's aid in the South Pacific tends to be about building large and obvious infrastructure. Key examples include a sports arena in the Cook Islands, a multi-

storey government office building and hospital in Samoa, the Melanesian Spearhead Group's Secretariat building in Vanuatu, and the rebuilding of a cyclone-devastated part of Nuku'alofa, the capital of Tonga²⁴ Ron Crocombe notes that China's South Pacific aid is:

[F]ocused more on high-profile projects with public relations value for the donor and recipient politicians. The hardest projects to get aid for are vital services like sewage that are underground and unattractive²⁵

Notwithstanding concerns that much of China's development aid could be better spent on more worthwhile projects, China's aid is welcomed by South Pacific island nations, meets the genuine humanitarian aims of China's aid policy and assists in the pursuit of China's national interests. The following sections examine the interests of both Australia and China in the South Pacific.

Australia's interests in the South Pacific

According to former Australian Prime Minister John Howard:

It is in Australia's interests and in the interests of our Pacific Island neighbours to strive for a region that is economically viable, politically stable and free from crime. The financial costs and potential threats to Australia from failing states, including transnational crime and international terrorism, would be immense.²⁶

The 2013 Defence White Paper listed 'a secure South Pacific and Timor-Leste' as the second of four strategic interests (after 'a secure Australia') and asserted that the accompanying principal task is to 'contribute to stability and security in the South Pacific and Timor-Leste'.²⁷ Moreover, Defence White Papers back at least as far as 1976 have been clear about the importance of the regions that incorporate approaches to Australia's territory and the need to interdict any adversary prior to reaching Australia.

In theory, strong, politically-stable and economically-viable states are less likely to be agreeable to or coerced into accepting the presence of elements hostile to Australia's interests. Such states are also more likely to have police and security forces better able to prevent transnational criminal activity within their states that could reach across into Australia. From a regional security perspective, political stability and good relations have therefore defined the aims of Australian policy for many decades.

Australia's regional policies are exercised though bilateral relationships with South Pacific island countries and also through support for and participation in the Pacific Islands Forum, a Suva-based inter-governmental organisation, founded in 1971, that aims to enhance cooperation between the independent countries of the Pacific Ocean.²⁸ Nancy Krause notes that:

Central to the Australian Government's approach to the Southwest Pacific is the view that Australia has a special role to play in the region. Enhancing Australia's leadership role in contributing to security and stability in the region is at the core of this approach.²⁹

Through the late 1990s and 2000s, Australia was also willing to intervene directly in South Pacific island affairs, with Australia's leadership of the Bougainville Peace Monitoring Group and subsequent leadership of the Regional Assistance Mission to the Solomon Islands being key examples. However, a number of commentators have noted the risks to Australia's leadership from China's increasing presence in the region, with Krause contending that:

According to some commentators, Australia's dominant role in the region is now being challenged by China, which has increased its use of 'soft power' in the region, primarily through diplomatic and economic influence. Some sources estimate that China has become the third largest provider of foreign assistance in the region, consisting mostly of loans, infrastructure and large construction projects (which, unlike Australian aid, is notably free of any preconditions on the part of receiving countries).³⁰

Miles McKenna has similarly concluded that the main issue for Australia is that China's engagement is bringing the region a choice of influence previously unavailable, noting that 'the government in Suva has a choice. The trader in Nuku'alofa has a choice. Australia is losing its security—it no longer controls the policy space'.³¹ The concern for Australia's policy-makers would be that its decreasing influence in the South Pacific will lead to a decreased ability to control Australia's security, underscoring the need to better understand China's interests and intentions.

China's interests in the South Pacific

In 2006, then Chinese Premier Wen Jiabao asserted that:

As far as China is concerned, to foster friendship and cooperation with the Pacific island countries is not a diplomatic expediency. Rather, it is a strategic decision.³²

The most obvious of China's interests in the South Pacific are resources. Firth and Hannan note that 'secure access to raw materials and resources (supply security) continues to dominate Beijing's "going global" agenda'.³³ Hayward-Jones observed in 2013 that China's trade with the region had increased seven-fold in the previous decade and that, in 2011, exports from the region to China totalled US\$1.17 billion.³⁴ The value of this trade was considerably less than that with Australia, which imported US\$4.14 billion but it is not insignificant and is an important aspect of the relationship between the South Pacific states and China.³⁵

More noteworthy, though, is the 'dollar diplomacy' that resulted from China's interest in denying Taiwan's legitimacy as an independent state. Efforts to isolate Taiwan were key interests for China until 2008. At one extreme, Andrew Nathan and Andrew Scobell argue that China's engagement is driven by three motives: rivalry with Taiwan regarding diplomatic recognition; natural resources such as fish; and geopolitics such as 'weaning Australia and New Zealand from their habit of close cooperation with the US'.³⁶

Commentators such as Terence Wesley-Smith and Jenny Hayward-Jones, however, represent the mainstream view that there is little evidence to support the notion of geostrategic competition with the US and its allies.³⁷ As Karl Claxton points out, whether such geostrategic competition is underway or not, 'China doesn't need to try ... to supersede [Australia] for its growing local presence, weight and clout to greatly complicate [Australia's] interests'.³⁸ However, one issue that would certainly complicate Australia's interests would be the stationing or continuing deployment in the South Pacific of a Chinese military presence.

The People's Liberation Army Navy (PLAN) caused a sensation in February 2014 when several of its ships were observed sailing into the Indian Ocean between the northwest of Australia and Christmas Island.³⁹ The three Chinese warships transited the Sunda Straits into the Indian Ocean, and then the Lombok and Makassar Straits into the Pacific. However, apart from such transits, there has been little overt Chinese military presence in the South Pacific.⁴⁰ Fergus Hanson notes that it is generally associated with the provision of aid and confined to more benign assistance, such as upgrading a military hospital in PNG or the supply of non-lethal equipment (uniforms and cars) to the Vanuatu Mobile Force.⁴¹

However, China does have a considerable diplomatic presence, which pursues a range of political interests. In addition to competing with Taiwan for recognition, China also values the South Pacific islands as a voting bloc in international forums, especially within the UN. For example, China has used its aid activities as a means of gaining support for its position of opposing Japan's efforts to gain a permanent seat on the UN Security Council, although it should be noted that other major donors in the South Pacific have leveraged their provision of aid for similar purposes.⁴²

As noted by Wesley-Smith, China's strong political presence in the South Pacific is because 'China has a strategic interest in cultivating strong relations with other states in order to minimize potential threats, while enhancing its standing and influence in the global community'.⁴³ China is certainly seeking influence in the South Pacific and, by default, may be considered to be competing with Australia. However, whether that competition comes at the cost of Australia's national interests is less clear for, as Hanson notes, China too has a strong interest in a stable South Pacific.⁴⁴ Indeed, Hayward-Jones contends that:

Australia's dominant role in the region is not under threat from China. Rather than speculating on China's future ambitions, Australia should focus on making more of its evolving strategic partnership with China and cooperate with China in aid and investment activities that support Pacific Island development priorities.⁴⁵

Key Australian policies on the South Pacific islands

Having examined the interests of Australia, China and the South Pacific island nations, the following section looks more closely at a number of policy options that Australia could be pursuing in order to advance its interests in the South Pacific. The five options being proposed are not an exhaustive list. But they represent key areas where Australia could likely achieve the best return for its continued investment, while providing positive outcomes for the South Pacific islands.

The policies have been selected because they span two key outcomes in support of Australia's interests in the South Pacific. The first is improved Australian influence to ensure that Australia remains a trusted and welcome regional leader and key political influence in the South Pacific. The second is for the South Pacific to be politically 'stable, secure, peaceful and prosperous'.

The first policy concerning the 'Seasonal Workers Program' is not specifically aimed at balancing China's influence in the South Pacific. However, it does directly target regional security and improving Australia's regional influence. The second policy is that of partnering with China in the coordination of aid and the delivery of joint projects. This policy is important because it seeks to engage China, which has the resources and desire to 'invest' in the South Pacific, and permits Australia to help shape how that aid is delivered to achieve greater effects.

The third policy relates to encouraging and engaging China to commit to the Cairns Compact (an initiative of the Pacific Islands Forum to strengthen development coordination in the Pacific) so that China's aid complements the efforts of Australia and other OECD donors to improve good governance and self-reliance in South Pacific nations.

The fourth policy is a renewed emphasis on encouraging a continuing US presence in the South Pacific and aims specifically to balance China's influence, and especially any potential for military influence. The fifth policy is the only new policy suggestion. It seeks a deliberate emphasis on improving Australia's relationships with the leaders of the South Pacific island nations in order to extend efforts to improve Australia's influence.

While the first four policies are already exercised by Australia to varying degrees of effort, the following sections discuss the key issues and suggest adaptations to improve policy effectiveness.

Seasonal Workers Program

In June 2014, Australia's Foreign Minister Julie Bishop said:

Greater labour mobility will also be a key issue for the Pacific in the years ahead, particularly for those countries with challenging domestic economic prospects. Which is why Australia is keen to expand our Seasonal Worker Program; and why we continue to build up vocational skills to allow greater remittance earnings.

Some seasonal workers have earned up to \$12,000 in Australia, and have been able to remit about \$6,000 over a six month placement.... We know that that scheme is having flow-on benefits. Some workers have used their income to pay for school fees for their children, to purchase tractors, to invest in a small business, and the like.⁴⁶

Remittances are known to be an essential component of national income for South Pacific island states, especially Tonga, Samoa, Fiji, Kiribati, Tuvalu and Vanuatu.⁴⁷ In her foreword to the recently-released Australian policy on foreign aid, Foreign Minister Bishop noted that 'aid flows into developing countries are now dwarfed by foreign direct investment, equity flows and remittances'.⁴⁸

A 2006 report from the World Bank, titled 'Pacific Islands at Home and Away', which examined the economic arguments in favour of increased labour mobility for Pacific island nations, is generally regarded as the catalyst for the introduction of Australia's 'Seasonal Workers Program', designed to supply labour to Australia's horticulture industry, which effectively began with a pilot scheme in 2009.⁴⁹

Yet the take-up by Pacific islanders has been very low and the program has yet to achieve worthwhile results from a Pacific islander perspective.⁵⁰ In the first three years of the trial, approximately 1100 workers arrived in Australia, although the cap had been set at 2500.⁵¹ The pilot scheme has since transitioned to a mature program, and the take-up has increased substantially. In 2013/14, some 2000 workers utilised the program but this was still short of the 2500 cap. It was also well short of New Zealand's equivalent program, with around 8000 workers, which achieved its then cap of 7000 in its second year of operation and continues to be oversubscribed.⁵²

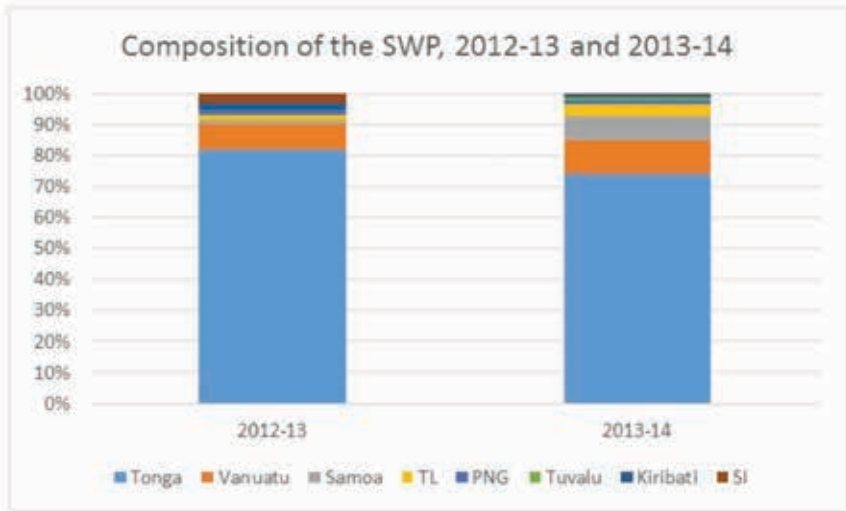
The largest obstacle in the Australian scheme relates to the number of participating growers. A survey in 2011 showed that approximately half of the growers in Australia's horticulture industry did not know about the scheme, while only 2 per cent of those who did were using it.⁵³ The same survey revealed that most growers relied instead on backpackers, who have the additional incentive that three months' work in the horticulture industry gains them an additional year on their visa.

There is also evidence of a significant number of illegal workers in the industry, who are often paid less than the award wage for the same jobs that the

Seasonal Workers Program is designed to fill. There are also additional costs for growers participating in the program, including airfares and domestic transfer costs for the workers, as well as complicated and time-consuming bureaucratic processes, all of which provide strong reasons for Australian growers not to use the Seasonal Workers Program.

Another key concern is the place of origin of the workers. Figure 2 shows that in 2012-13 and 2013-14, the vast majority of workers participating in the program were from Tonga, a relatively-affluent country in the South Pacific, where remittance flows are already healthy. According to Stephen Howes, it is Melanesian countries, especially PNG and Solomon Islands, which most need the opportunities presented by the program, yet only 35 workers came from these two countries in 2013-14.⁵⁵

Figure 2: By-country participants in the Seasonal Workers Program, 2012-13 and 2013-14⁵⁶



Between the lack of awareness and incentives for Australian growers to use the Seasonal Workers Program, and the distorted composition of participants, the program is failing to achieve its potential as a key tool for addressing the challenging economic prospects faced by South Pacific nations.

The root of the problem is that the program's origins were about the provision of low-skilled labour for the Australian horticulture industry, where traditionally there has been a shortage of workers, rather than it being a dedicated component of Australia's aid and development policy for the South Pacific

island countries. While in opposition, Bishop signalled a desire to address the obstacles hindering the effectiveness of the program, noting the need for 'strengthening of Australia's existing guest worker program to enable greater numbers of Pacific islanders to undertake seasonal work in this country'.⁵⁷

Improving the participation of workers from South Pacific island nations, balancing the composition to include a far higher percentage of Melanesians, and increasing the total number of participants should be at the forefront of government efforts to strengthen the Seasonal Workers Program. While a comprehensive breakdown of the individual problems and their potential solutions would require a lengthy paper in its own right, dealing with the following three issues would make a significant difference to the program's effectiveness and contribute meaningfully to the security of South Pacific island nations.

The single most effective change the Australian Government should implement is to remove the incentive for backpackers to work in the horticulture industry in preference to other industries. At the very least, the 'playing field' should be levelled so that South Pacific seasonal workers are not competing unfairly with workers who have an incentive to work in the horticulture industry unrelated to their performance or the industry as such.

The second initiative should be a clampdown on the use of illegal workers in the horticulture industry. In theory, there are already sufficient motives for the government to pursue illegal workers and those who hire them, yet a 2011 study by ANU's Development Policy Centre found that only 12 per cent of growers surveyed were prepared to say that there was no use of illegal labour in their industry.⁵⁸ In that same study, the authors noted that the clamp down on illegal labour and cash payments had been a significant component of the success of New Zealand's scheme.⁵⁹

Finally, improving the overall take-up of the scheme to the maximum allowed under the increasing cap, which for 2014/15 is 3250, would provide little additional assistance to Melanesian states unless the composition of the program is better balanced. It is not clear why Melanesian participation has been so low, although the composition of the New Zealand scheme is far better balanced.⁶⁰ Whatever the reasons, Australia should be working with the Melanesian countries and the Pacific Islands Forum to increase the participation of Melanesians, which may require Australian government agencies in Melanesia to assist host governments with recruiting, processing and administering participants. Target numbers, if not quotas, for Melanesian countries should also be introduced.

Costs associated with proposed changes to the Seasonal Workers Program would be mostly in the political sphere and associated with the impact on backpackers. But there are also likely cost increases to the horticulture sector where reduced access to cheap labour, especially illegal labour, should result. Working with Melanesian countries to improve recruiting and selection of Melanesian participants would also likely require additional consulate staff.

An initial estimate to assist the governments of PNG, Solomon Islands and Vanuatu to recruit, process and administer participants in the Seasonal Workers Program is for one additional Australian staff member to be posted to each country. Approximate costs for such postings would be in the order of A\$300,000 to A\$400,000 per person, depending on local security requirements of the respective office.⁶¹ Total annual costs would therefore be in the vicinity of A\$0.9-1.2m.

Aid coordination and joint projects

Jenny Hayward-Jones and Philippa Brant have asserted that:

The Pacific islands region is one where Australia's diplomatic influence intersects most obviously with a rising China. Australia has the influence, the motivation and the capacity to work with China to create better development outcomes for island countries and enhance its own standing in the region.⁶²

In a recent report for the UN Development Programme, Graeme Smith and colleagues noted divergent interpretations of aid effectiveness principles between OECD members and South-South Development Cooperation members.⁶³ A distinct difference is the use of 'tied aid'. The OECD defines it as aid that is given on the condition that it is used to procure goods and services from a particular country or region.⁶⁴ For OECD-compliant members, the tying of aid is discouraged but for China it is the usual.⁶⁵ Moreover, tied aid from China is often not handled by the recipient country at all, and the aid money moves directly to the Chinese state- or privately-owned construction/service provider, bypassing the recipient's bureaucracy. In comparison, all of Australia's aid programs have been untied since 2006.⁶⁶

The other noteworthy difference is that for OECD members, the focus on results should be to 'use recipient-led assessment frameworks, support results-based budgeting and promote international best practice'—in other words, the emphasis is on the journey. For China, the focus is on speed of delivery, low cost, the use of its own development knowledge and achieving the project outcome—that is, the focus is the destination.⁶⁷ These differences, and the 'no strings policy', are notable because collectively they highlight what for many recipients are the virtues of China's aid over aid from Australia. Firth and Hannan note that:

Developing country governments have appreciated the Chinese government's respect for national sovereignty, which contrasts with the restrictive conditionality of Western aid providers with their good governance checklists. A senior Pacific diplomat is quoted as saying that '[t]raditional donor allies of the Pacific are losing support because they are becoming more and more stingier in what they give the Pacific. They have attached far too many strings and conditions to their assistance'.⁶⁸

Despite the apparent negativity surrounding Australia's aid in comparison to China's, Australia remains the largest donor in the South Pacific by a wide margin. Hayward-Jones notes that Australia's total gross aid dispersal in the Pacific islands region in the period 2006-11 was US\$4.8 billion, with the US next at US\$1.3 billion and China fifth with US\$850 million.⁶⁹ Moreover, Australian aid to the Pacific islands was over \$US1 billion and 60 per cent of the aid for the region in 2012-13.⁷⁰

The issue then is not whether Australia remains the biggest donor in the region but rather whether the South Pacific island nations are developing their capacity to generate sound government, self-sustaining business, and trade skills which ultimately meet Australia's interests by creating stable and secure island nations. China's presence is, by and large, welcomed by the South Pacific island nations. Maintaining influence and achieving development aims for the South Pacific region will require Australia to work with rather than attempt to 'out-influence' China. Working with China in the South Pacific was mooted by the Australian Senate's Foreign Affairs, Defence and Trade Committee at least as far back as 2006 but progress has been slow.⁷¹

That committee's report on the implications of China's emergence recommended 'that Australia works closely with China to encourage both countries to enter joint ventures designed to assist the development of the island states of the Southwest Pacific'.⁷² Formalising such an arrangement did not occur until 2013, when both countries committed to a memorandum of understanding (MOU) for a Development Cooperation Partnership.⁷³

The MOU commits both nations to 'explore practical means' to strengthen aid cooperation and collaboration, work together towards shared objectives and reduce poverty. A day after the signing of this MOU, a media release from the Department of Foreign Affairs and Trade announced that the first initiative under the MOU would be a pilot study into drug resistant malaria in PNG. How far this study has progressed is not clear. Nor is there any sign that joint work on HIV/AIDS or water resource management, touted as follow-on projects, has commenced. That an MOU exists at all is a good start but much more can and should be done in collaboration between the two countries.

The joint project with Australia is not China's only joint development. In 2012, New Zealand became the first developed nation to sign an agreement with China for a joint development project, when they agreed to collaborate on water supply infrastructure in the Cook Islands.⁷⁴ Brant notes that 'a number of countries have [also] undertaken joint assessments of aid projects with Chinese counterparts'.⁷⁵ Moreover, during the Pacific Islands Forum meeting at Rarotonga in August 2012, China's Vice Foreign Minister Cui Tiankai told a press conference that China was open to closer communication and coordination with other countries, including the traditional donor countries, and:

... [was] ready to exchange views, compare respective practice and where possible and feasible, we're also open to work with them for the benefit of the recipient countries here in this region.⁷⁶

Senator Mason was of a like mind when he addressed the China-Pacific Island Countries Economic Development and Cooperation Forum in November 2013.⁷⁷ During that speech, he noted the Australian Government's priorities for the South Pacific, listing trade, diplomatic and development linkages. In addition to welcoming 'China's cooperation with [Pacific Island] Forum colleagues', Mason also stated that:

Australia looks forward to further discussions with China on our common interests in the Pacific and to deepen cooperation in how best we might assist the development of all our friends in the Pacific.⁷⁸

With all the good intent being expressed from both sides, and an MOU to formalise that intent, the results on aid cooperation have so far been disappointing, although there are specific types of joint aid that could satisfy both the OECD-style of Australia and the 'South-South' style of China.

Smith provides the example of a building project for the University of Goroka in PNG, where the aid was provided in the form of a concessional loan for new dormitories.⁷⁹ A Chinese building company, Guangdong Foreign Construction, worked directly with the finance source in China, the Exim Bank, to negotiate the loan agreement. However, the university and lead architect in PNG pushed back and insisted on different requirements for the project design and oversight, which the bank accepted. Smith believes that:

This successful pushback by the university shows how Australian agencies such as DFAT ... and Treasury can make a positive difference to the Pacific's reception of foreign aid. China has the finance to build the infrastructure the Pacific needs, and there are Chinese infrastructure companies that need the work. Demonizing such loans or encouraging Pacific leaders to 'just say no' is foolish. Naïve even.⁸⁰

Smith goes on to suggest that Australia could take on a constructive role in a broker-like fashion by assisting 'Pacific partners to reduce the asymmetry of power when loans are being negotiated, [and] coordinate with Chinese infrastructure companies based in the Pacific'.⁸¹

A more recent example of where Australia might have been able to combine with China and a recipient to achieve a better development outcome is the new Navua hospital in Fiji. The hospital has been completed but has a number of design flaws that must now be rectified at the hospital's expense. The flaws include toilets that regularly block, slippery floor tiles, basins that are too shallow, poorly-located telephone connections and inappropriately steep ramps between the two wards requiring transfer by ambulance rather than trolley.⁸² Projects like this offer Australia an opportunity to help the donor recipients receive the intended outcomes within budget and schedule, while also assisting China to achieve the positive outcomes it seeks.

Such a policy may result in connecting South Pacific nations with more aid from China, with implications for control over governance, accountability and procedural development. However, the result would be to assist South Pacific island nations access the aid and finance they are already seeking from China, while allowing Australia to be seen as a partner with China rather than a competitor. Moreover, Australia would continue to expand its aid relationship at the working level in aid delivery, while also providing the opportunity to better influence the way China provides aid in the South Pacific.

The most prominent aspects of the presence of China and Australia in the South Pacific are felt through their respective aid programs and, while Australia's aid program currently dwarfs that of China, China's aid offers the South Pacific benefits not available with Australia's. Moreover, if China wanted to increase its aid to the South Pacific, its rapidly expanding economy and national wealth would facilitate such an expansion with little effort.

Australia must, therefore, look for ways to work with China to achieve a 'win-win-win' if Australia wishes to remain a relevant influence in the South Pacific. Working with China would help the South Pacific nations achieve better outcomes from the generous aid that China is making available—and allow Australian aid officials to influence the way China delivers its aid. However, changing China's approach to conditionality of aid will be difficult, as evidenced by its reticence to commit to the Cairns Compact.

Cairns Compact

The OECD asserts that:

How to engage with China in a manner that contributes to the international aid effectiveness agenda and the achievement of the Millennium Development Goals has been an issue of great concern for [OECD] donors. China's endorsement of the principles, commitments and actions enshrined in the 'Busan Partnership for Effective Development Co-operation' is therefore a welcome step forward. This new Global Partnership provides the basis for promoting stronger engagement between China and [OECD] donors in delivering more and better development co-operation, including Aid for Trade.⁸³

This paper has already noted China's approach to aid, the 'Eight Principles' and China's transactional/mercantile nature, which together make its aid distinct. From China's perspective, its aid respects the sovereignty of recipients, so adherence to OECD principles, which would have China's aid agencies insisting on strict governance and accountability conditions, is antithetical.

Nonetheless, China has endorsed the commitments outlined in the 'Kavieng Declaration of Aid Effectiveness' (a localised version of the Paris Declaration) and the 'Busan declaration', noting that for China this is non-binding⁸⁴ Encouraging China to move from non-binding endorsement to adherence of OECD principles—the Paris Declaration, Accra Agenda for Action, and Busan Partnership—must remain a goal of Australia.⁸⁵ However, having China commit to similar principles for aid in the South Pacific, as determined by the Pacific Island Forum, is of more pressing importance for Australia's interests in the South Pacific.

At the 2009 Pacific Islands Forum meeting in Cairns, the leaders agreed an initiative known as the Cairns Compact on Strengthening Development Coordination in the Pacific. It is a program designed specifically to address shortfalls in the progress of South Pacific nations towards achieving the UN's Millennium Development Goals (related to socio-economic development and health) by 2015.⁸⁶ Australia's Department of Foreign Affairs notes that:

The Compact aims to accelerate progress towards the achievement of ... [the Millennium Development Goals] by strengthening Forum Island countries' leadership of their own development agenda, and encouraging development partners to work more effectively together.⁸⁷

Noteworthy elements of the compact include development partner reporting on coordination and aid effectiveness and the strengthening of public finance management systems. Ultimately, the compact has a focus on the coordination of aid efforts, which is precisely what Australia should be seeking from all donors to the South Pacific. As yet, China has not joined the compact—and appears unlikely to do so. Shortly after the signing of the Cairns Compact in 2009, Wang Yongqiu, the senior Chinese representative at the forum, explained China's reasons for not joining as:

We have different approaches and practices from Western developed countries. We feel it is unnecessary to accept this multilateral co-ordination mechanism, but we need time to study it. China is open and transparent in providing aid.⁸⁸

Hayward-Jones cites several possible reasons for China's reluctance to commit to the Cairns Compact, including the 'rigours of transparency required by the compact'.⁸⁹ In all likelihood, China does not want to constrain its freedom and blunt the effectiveness of its aid. As an example, China's welcome and influence in Fiji rose exponentially from 2006 as Australia, New Zealand and the US pressured the coup leaders and then in 2009 supported Fiji's suspension from

the Pacific Island Forum. The Cairns Compact would not prevent aid delivery to Fiji under such circumstances but nor would China want to necessarily be seen to be aligned to traditional donors.

Australia and New Zealand have continued to encourage China to join the compact without success. At the 2011 Post-Forum Dialogue in Auckland, China reiterated its desire not to be bound by the compact, emphasising the value of its aid given in friendship versus aid given under conditions.⁹⁰ Noting that the origins of the Cairns Compact reside in the Pacific Island Forum member states' failure to progress adequately toward their Millennium Development Goals, and that those goals will likely be updated in 2015, the Cairns Compact will similarly likely be reviewed and probably replaced, notwithstanding that the underlying principles of the compact remain relevant and should provide the basis of any new agreement.

If and when this occurs, Australia should insist on China being part of the negotiation process which, after all, would be appropriate if China is to be treated as a partner of Australia in providing aid to the South Pacific. Resourcing a new focus on aid coordination and joint projects, and convincing China of the value of joining the follow-on to the Cairns Compact, is not likely to incur significant additional cost.

It would be more about the need for greater engagement at the diplomatic level, which would require a multi-tiered approach given the myriad Chinese agencies involved in the delivery of aid, including the Ministry of Commerce, Ministry of Foreign Affairs, Chinese embassies, Chinese finance institutions and construction companies. Moreover, Australia should be seeking support for these endeavours from the other major donors in the South Pacific, as well as the recipients.

US presence in the South Pacific

In 2012, then US Secretary of State Hillary Clinton noted that:

The United States did not leave the Pacific, instead we focused on making sure that the region continued to be safe and secure so that you could develop, you could pursue commerce, you could raise your children in peace, you could become more prosperous. We're going to work together to ensure that all the people of the Pacific islands, in the 21st century, have the chance to fulfil their own God-given potential.⁹¹

The apparent US retrenchment from the South Pacific at the end of the Cold War is a reason commonly given for China's success in gaining presence and influence among the South Pacific islands. Examples of waning US interest include a halving of the number of US Peace Corps volunteer missions between 1995 and 2003, the closure of US Information Agency offices in the mid 1990s, and the

closure of the US Agency for International Development (USAID) offices in Suva and Port Moresby in 1994.⁹² While the USAID offices have been re-established, after a 16-year absence, the period of reduced US presence occurred at the same time that China's presence was being dramatically increased.

However, Firth contends that 'after years of minimal interest in the Pacific islands, the US is responding directly to China's increased Pacific presence [and that] the Obama Administration chose Suva as the location for USAID's new regional office, which operates from a newly-built American embassy', as well as re-establishing an office in Port Moresby in 2011.⁹³ Moreover, during Obama's first presidential term, the US Secretary of State, Hillary Clinton, visited several Pacific island nations, while the Assistant Secretary for East Asian and Pacific Affairs, Kurt Campbell, 'held talks with Pacific leaders in Kiribati, Samoa, Tonga, Solomon Islands, PNG, Palau, the Federated States of Micronesia and the Marshall Islands with view to enhancing US involvement and assistance'.⁹⁴

Of note, Campbell was one of the architects of the 'Pivot to the Pacific' by the US, and his participation may be seen as a direct action aimed at countering burgeoning Chinese influence in the South Pacific which, by the mid 2000s, was receiving considerable political attention.⁹⁵ Arguments over the apparent absence of the US in the South Pacific aside, Australia should welcome a greater presence of the US and look for ways to expand US military, security and diplomatic influence in the region.

One of the US's most valuable contributions to the South Pacific islands is the 'shiprider' program, whereby South Pacific island law enforcement officers—police, fisheries, customs—travel aboard US Coast Guard and US Navy ships and aircraft on patrols in the exclusive economic zones of the South Pacific.⁹⁶ In one example, the program has assisted Kiribati issuing fines of more than \$4 million for illegal fishing.⁹⁷ The program is particularly valuable not only because it enables the islands to be more responsible for their own security but because most of the South Pacific island nations have only limited means to otherwise conduct surveillance of their exclusive economic zones.

Another well-received program, delivered in conjunction with the US Navy in 2011 and again in 2013, was Project HOPE (Health Opportunities for People Everywhere).⁹⁸ One of its key activities involved a medical team embarking the USS Cleveland and, over the course of three months, visiting Tonga, Vanuatu, PNG, Timor-Leste and the Federated States of Micronesia, treating thousands of patients. In Tonga alone, 'over 2300 patients received care ... and more than 300 medical professionals and local residents received health education'.⁹⁹ A similar mission, titled Pacific Partnership 2013, was undertaken during the following year.¹⁰⁰ Such visits are extremely well received because

they bring specialist medical staff to countries where medical services are over-subscribed and where much specialist care is not routinely provided.

China too realises the value of medical assistance in the South Pacific islands. In September 2014, China's Peace Ark hospital ship completed a four-week visit to the South Pacific, visiting Tonga, Fiji, Vanuatu and PNG.¹⁰¹ The medical teams on board treated up to 1000 patients a day and were able to provide the same diverse range of services provided by Project HOPE, with the addition of traditional Chinese medicine.

Brant believes that the visit of the Peace Ark was 'an easy soft-power' win for China by helping to counter negative views of new Chinese migrants and shoddy workmanship seen on some of the aid projects.¹⁰² Both the Peace Ark and Project HOPE missions are good examples of diplomacy and humanitarian aid, as they connect the donors directly with the people of the South Pacific islands, rather than with governments or bureaucracies, and do so in a high-profile way, likely to attract favourable media attention.

The idea that the US should mirror China in providing this type of aid may seem simplistic and competitive but the soft-power value of this type of aid is significant. Australia should encourage an increased presence of US medical assistance in the South Pacific, and contribute with its own medical support. China's presence in the South Pacific may well be driven at present by a combination of commercial, resource requirements and humanitarian interests but, as previously noted in this paper, China's Premier admitted in 2006 that his country's interest in the South Pacific is strategic.¹⁰³

Australia should continue to press for an increased presence of the US in all forms—USAID, diplomatic visits, attendance at the Pacific Islands Forums, ship-riding, medical assistance and trade—but not in an effort to drive China out. The region has certainly remained relatively stable and secure since the Second World War, when the region fell under the influence of the US. However, China has much to offer the region and the South Pacific islands benefit greatly from China's aid and trade.

Resource costs for Australia for the policy approach described in this section would largely be limited to the provision of medical staff. Australia already makes a worthwhile health contribution to the South Pacific, typified by the 56 specialist visiting teams and teaching visits to 10 South Pacific countries conducted in 2012.¹⁰⁴

However, wherever possible, Australian medical teams should be part of any future medical ship visits, as one team was for the Vanuatu and PNG legs of the Peace Ark mission.¹⁰⁵ Using military reserve specialists, for example, to participate in two

hospital ship visits each lasting four weeks would likely cost A\$200,000-A\$250,000 per year (based on the deployment of four 06-level specialists).¹⁰⁶ Such efforts would make a valuable contribution to Australia's total health aid activities in the South Pacific and, more importantly, help Australia maintain a high profile when China is scoring such easy soft-power wins.

There would also be significant political effort required to encourage an increased US presence in the South Pacific, in all its forms. Such increases could well be justified in principle under the existing US pivot policy. However, convincing the US that additional resources should be expended, particularly in an environment of fiscal constraints, would likely be challenging.

Learning from China – better management of relationships

Foreign Minister Julie Bishop has expressed frustration that other donors win much greater recognition from Pacific Islands for much smaller contributions than Australia's. She wants to see ... recognition that Australia is the partner of choice for Pacific Island countries.¹⁰⁷

Among the criticisms of China's approach to aid is an issue that is viewed both with contempt and grudging admiration. Called 'visit diplomacy', because it involves high-level delegations visiting from China or delegations from aid recipient countries travelling to Beijing, such visits are a key aspect of China's soft power and are highly valued by South Pacific island leaders. Invitations to visit Beijing are extended both to present and future leaders, and their occasionally extensive entourages are often funded by China.

Anne-Marie Brady and John Henderson note that South Pacific leaders are treated no differently to the extravagant way more notable world leaders are treated and that '[t]his attention is greatly appreciated by island politicians who don't get such a welcome when they visit Washington, Canberra or Wellington'.¹⁰⁸ Moreover, newly-elected leaders often visit Beijing before they visit Canberra, and 'Pacific elites have closer personal contacts with their Chinese counterparts than they do with US, Australia or New Zealand'.¹⁰⁹

Australia's longer and deeper engagement with the South Pacific islands, as well as its proximity and status as the largest aid donor by a huge margin, should result in Australia having the strongest influence. Yet China's visit diplomacy has come at the expense of Australia's sway with the South Pacific.

This paper has discussed the value some South Pacific islands place in China's 'no strings attached' aid but China also has lessons for Australia in its generous approach to hosting South Pacific island leaders and making them feel special. Examples of where Australia has failed to respect the authority and dignity of South Pacific island leaders include the incident at Brisbane airport in August 2013 when the Prime Minister of the Solomon Islands was stopped at a security

checkpoint to be checked for explosives residue.¹¹⁰ In another travel-related incident, the Prime Minister of PNG was asked to remove his shoes at a Brisbane airport security check.¹¹¹

These incidents are reasonably simple failures of protocol that could easily have been avoided had appropriate dignitary escort personnel and procedures been in place. However, beyond such lapses, there are also other examples. In 2012, the private secretary of the Prime Minister of Vanuatu was arrested in a very public manner at Sydney airport for conspiring to defraud the Commonwealth, after he and the Prime Minister's delegation were forced to pass through immigration while enroute to Israel. The Prime Minister of Vanuatu reacted angrily by expelling 12 Australian Federal Police from Vanuatu, jeopardising the important security policing work being done there.¹¹²

Personal and professional relationships between leaders could also be more meaningful if the Australian Prime Minister made his or her best effort to attend the gathering of South Pacific island leaders at the Pacific Island Forum's annual conference. The current Minister for Foreign Affairs and her Parliamentary Secretary have been active in the region but Nic Maclellan contends that Prime Minister Abbott has had little interest in the South Pacific islands.¹¹³ Much was made in the media when he failed to attend the 2014 leaders' meeting.¹¹⁴

Prime Minister Howard was similarly unavailable for several leaders' meetings, which prompted the Senate Foreign Affairs, Defence and Trade References Committee in 2006 to recommend again, as it had in 2003, that 'the Prime Minister of Australia place the highest priority on attending all Pacific Forum Meetings'.¹¹⁵

Finally, Australian officials could be more publicly appreciative and genuine in welcoming China's aid in the South Pacific, with Fergus Hanson asserting that:

Acknowledging China as a legitimate donor from which we can also learn is at least part of the solution to encouraging it towards a more responsible approach to development in the Pacific.¹¹⁶

Australia has little to lose and much to gain by learning from China's approach to the treatment of South Pacific island leaders, and additional resource costs need not be significant, with the possible exception of the Prime Minister's time. However, it would seem useful to allocate additional funding, in the order of A\$1-3 million, to facilitate visits to Australia by South Pacific leaders and their immediate staff, which should include subsidising their travel costs. Ultimately, efforts directed towards the maintenance of peace and stability in the South Pacific, and Australia's enduring influence, are at the core of Australia's national interests.

Funding

The variations to policy, including a more generous approach to hosting South Pacific island leaders, could be funded from within the existing 'regional Pacific' budget of A\$196.9 million for 2014-15.¹¹⁷ However, noting the importance of the South Pacific as the second of Australia's four strategic interests, additional funding is arguably warranted.

The Australian Government is not likely to agree to an increase in the overall aid budget, given its commitment to reducing the federal budget deficit, with the 2014-15 total aid budget already reduced by A\$107 million (from the 2013-14 budget). Accordingly, this paper proposes a transfer of proposed funding from within the Australian aid budget, which for 2014/15 is estimated to be approximately A\$5 billion.¹¹⁸

One area where funding could be transferred is the aid budget in relation to Indonesia. In 2014-15, the budget allocated A\$605.3 million in aid to Indonesia, representing the largest aid spending to a single country.¹¹⁹ While Indonesia remains of the utmost importance to Australia's national security, as well as being a developing country of 250 million people, its recent economic growth has outstripped Australia's, with Indonesia's GDP ranked 16th internationally.¹²⁰ A one per cent reduction in Australia's aid budget to Indonesia would provide A\$6.05 million for reallocation to the South Pacific, which seems a reasonable sum to fund the policy variations and proposals outlined in this paper.

Conclusion

Hayward-Jones cautions that China's influence in the South Pacific should not be over-stated, asserting that:

China is a very long way from approaching Australia's dominance of the aid, trade and strategic domains in the Pacific Islands region or displacing the United States as the dominant military power from the north. If China's aims in the region are to be described in terms of geo-strategic competition, then on the available evidence, China is not a particularly committed competitor.¹²¹

Nevertheless, it is clear that China is pursuing a long-term strategy of building relationships in the South Pacific to be able to exert influence, much as Australia has done for many years. The motives behind this are likely to be little different to China's motives for increasing its influence throughout Africa. China needs access to resources to feed its growing economy, and to food sources to feed its enormous population. Australia's choice is whether to accept that China's growing influence in the Pacific is for the benefit of the Pacific island nations or whether that influence is coming at the expense of Australia's influence and supporting outcomes in Pacific island nations inimical to Australia's interests.

This paper has argued that Australian policies should seek to improve the security and stability of the South Pacific island nations while also maintaining Australia's key leadership role and influence. China's aid and trade can contribute significantly to the prosperity and development of the South Pacific, and Australia should look to work with the region and China to maximise the benefits. This can be done without ceding influence to China, especially if Australia also seeks to independently improve its standing with greater contributions through labour migration and high-level diplomacy.

Assessing the effectiveness of the policies discussed in this paper should be done through the security and stability lens of the South Pacific nations. Countries of key concern to Australia, such as PNG and the Solomon Islands, continue to make incremental improvements on the UN's Human Development Index and yet the security and stability of those nations is not assured.¹²²

Australia's ability to assist the nations of the South Pacific to achieve the UN's Millennium Development Goals and to facilitate more substantial improvements in socio-economic indices, such as the Human Development Index, will be the highest level assessments of policy effectiveness. The heart of Australia's concerns regarding China in the South Pacific lies not with the presence of China or the influence China has over the island nations but with the stability and prosperity of the nations themselves. China's desire to assist the development of South Pacific nations through aid, loans and trade represents an opportunity for the South Pacific and Australia.

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Understanding the Neighbourhood: Bougainville's referendum for independence

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Abstract

This paper addresses the proposed referendum in relation to the future of Bougainville, which was agreed—as part of the 2001 Bougainville peace agreement—would be held between 2015 and 2020. It uses the Organisation for Economic Co-operation and Development's 'Security System Reform framework' to analyse relevant governance, security, justice and economic issues in order to identify how the preparation, conduct and management of the aftermath of the referendum can be shaped for success.

The paper concludes that insufficient progress has been made in setting the conditions for a successful referendum and that, if significant work is not undertaken to rectify this situation, the referendum is doomed to fail before it begins. Importantly, such failure would not only impact PNG and Bougainville but has implications for the entire South Pacific region. Accordingly, the paper asserts that key regional players urgently need to become pro-actively involved in shaping the prospects for a successful referendum.

Introduction

There is no road my friends: we make the road as we walk.

Bougainville Executive Council, November 2013¹

The conflict in Bougainville had its historical origins in the late 1960s, when many Bougainvilleans took exception to plans by the then Australian administrators of Papua New Guinea (PNG) to establish a massive copper mine at Panguna in the centre of the main island. Local concerns related to the potentially-damaging social, economic and environmental impacts of large-scale mining. These seeds of discontent eventually erupted into violent conflict in the late 1980s, resulting in the loss of up to 20,000 lives and the internal displacement of a further 80,000 people, changing the political landscape of PNG forever.²

After much bloodshed, a ceasefire was achieved and a temporary solution was found in the form of recognition of Bougainville as an autonomous region within PNG. While these milestones were significant in regaining stability, they are not long-term solutions. It was agreed as part of the Bougainville peace process that a referendum for independence in Bougainville would be held between 2015 and 2020. The stakes in this referendum are high. If successful, long-term peace and prosperity may be in reach of this troubled land. If not, the islands risk returning into the abyss of conflict.

This paper will use a framework to analyse relevant governance, security, justice and economic issues in order to examine how the preparation, conduct and management of the aftermath of Bougainville's referendum on independence can be shaped for success. In this context, 'success' will be defined as a referendum that is peaceful in its preparation and conduct, and the results of which are accepted as legitimate and viable by all, or at least the majority of, key stakeholders, including government and domestic audiences within Bougainville and PNG.

The Organisation for Economic Co-operation and Development's Security System Reform (OECD SSR) framework is the tool that is used to undertake this analysis.³ This framework was selected on the basis that while there is no agreed UN security sector or system framework for such assessments, the OECD SSR framework is widely accepted as a viable modelling tool. Australia is a standing member of the OECD and its framework is relevant to a post-conflict state that has issues spanning governance, security, justice and economic sectors.

The paper's methodology commences with a review of the OECD SSR framework. This is followed by an analysis of the conflict, focusing on those issues that may influence the referendum. The preparation and conduct of the referendum, as well as the management of its likely aftermath, will then

be analysed across each of the framework's major categories, followed by a summary addressing the relevance of the OECD SSR framework as a valid tool in shaping the success of the referendum.

The paper will conclude that insufficient progress has been made in setting the conditions for a successful referendum and that if significant work is not undertaken soon to rectify this situation, the referendum is doomed to fail before it begins. Importantly, such failure will not only impact PNG and Bougainville but has adverse implications for the entire South Pacific region.

Part 1: OECD SSR framework methodology

A framework that supports the analysis of political, economic, societal and security dynamics—and how they interrelate—is required to analyse what is necessary to shape the preparation, conduct and management of the aftermath of the proposed Bougainville referendum. The framework, as an analytical tool, must also assist in identifying the obstacles to and opportunities for positive change within the security system.

The OECD SSR framework supports this analysis by its design which focuses on four main categories that contain a myriad of sub-set issues: political economy and conflict analysis; governance and capacity of security and justice institutions; security and justice needs of civilians; and other frameworks and programs.⁴

Political economy and conflict analysis

The purpose of this category is to analyse the profile of the country (or autonomous region), including relevant contextual issues and points of friction. This ensures that relevant historical issues are considered during the analysis of a nation's or region's current and future opportunities and obstacles to security. The analysis also focuses on government structures, legitimacy and competence at the differing levels within the state, as well as regional interactions with internal and external political actors, both state and non-state. Finally, consideration is given to the linkage between government and security organisations.

Governance and capacity of security and justice institutions

The purpose of this category is to analyse all relevant security and justice institutions. This includes formal and informal state security and judicial organisations, structures, roles, capacity and competence. In the case of an autonomous region, it also considers relevant external security organisations. Finally, it considers how these organisations interrelate.

Security and justice needs of civilians

The purpose of this category is to analyse the needs and perceptions of the

local people. There is an acceptance that while the state's security and justice organisations may appear suitable in theory, the practicality of their effectiveness and efficiency may be very different when analysed from the community's perspective. Without this analysis, a potential source of public discontent may be overlooked.

Other frameworks and programs

The purpose of this category is to identify other national, political, economic and social programs and processes that may impact on governance, development and peace-building. The category seeks to understand the nexus between development opportunities and obstacles to security. It is important, for example, to understand if there are national initiatives, such as poverty reduction strategies, and if security and justice issues are integrated into these or if there is potential to do so. Finally, it considers the potential for external support or programs from other state actors.

Part 2: Conflict analysis

While the Bougainville conflict began in late 1988, the seeds of discontent had been sown well before then.⁵ Australian laws and regulations applied to PNG in the early 1960s, as it was still under Australian administration.⁶ This included a law dictating that all minerals found below the surface belonged to the PNG Government.⁷ Conzinc Riotinto Australia (CRA) undertook mine exploration during this period, which resulted in the discovery of large deposits of copper at Panguna on Bougainville.

This exploration occurred despite protests from the local 'Nasioi' landowners. The Panguna mine commenced operation in 1972 in spite of landowner protests but with the endorsement of PNG authorities. The PNG Government ratified the Bougainville Copper Agreement (BCA) in 1974, which set out tax, dividend, royalty and compensation scales for the mine.⁸ At its height, proceeds from the mine accounted for 44 per cent of PNG exports and generated 17 per cent of the nation's internal revenue.⁹ While the amount of compensation paid to local landowners was significant, its distribution was problematic. The current President of Bougainville, John Momis, wrote in 1971 that 'it is the tragedy of the Nasioi that the economic benefits are not distributed in the same manner as the social costs'.¹⁰

PNG gained independence from Australia in September 1975 but, even at this early stage, Bougainville appeared to be a reluctant province as a result of tensions over mining.¹¹ The PNG Government introduced a system of provincial government, in part in an attempt to diffuse the secessionist leanings of Bougainville (and, to a lesser extent, New Britain).¹²

The perception in Bougainville that the PNG Government was responsible for the BCA, and that the Australian Government played a part both directly (through implementation of initial mineral ownership regulations) and indirectly (CRA is considered an Australian company) in setting the conditions for this conflict, negatively impacted on the ability of either Government to appear impartial to Bougainville's domestic audience.¹³ It is also important to note that both the PNG Government and the people of Bougainville were acutely aware that the Panguna mine had considerable potential to impact significantly on their respective economies.¹⁴

With discontent spreading, the conditions for conflict were set. In 1987, some Panguna landowners, led by Pepetua Serero and her first cousin Francis Ona, demanded a much higher level of compensation than was agreed in the BCA. It was an amount considered unacceptable by Bougainville Copper Limited (BCL), which put it at odds with the traditional landowners' association.¹⁵

As a result, Francis Ona and his supporters commenced operations to disrupt the mine in November 1988.¹⁶ PNG riot police attempted to quell these activities but, as a result of some heavy-handed tactics by these forces, local opposition morphed into the Bougainville Revolutionary Army (BRA).¹⁷ Continuing disruptions resulted in the closure of the mine in May 1989.

In response to the growing violence, the PNG Government deployed the PNG Defence Force (PNGDF) to Bougainville. Yet again, heavy-handed tactics caused a further escalation of tensions and, despite numerous attempts at settlement, the conflict gained momentum.¹⁸ According to a UN report:

The Police Riot Squad, sent to deal with the disturbances, acted by committing indiscriminate violence, a situation never encountered previously by the Bougainvilleans. The methods used included the burning of villages, beatings, lootings and on occasion even rape and murder. The issue of human rights was completely ignored and the conflict in Bougainville continued. The Papua New Guinea Defence Force, sent in later to deal with the situation, also resorted to brutal and illegal ways in order to contain the strife.¹⁹

The armaments initially available to the BRA were limited.²⁰ However, its arsenal grew significantly as a result of poor discipline within PNG security forces and in the wake of BRA tactical victories, where weapons were taken from dead and wounded PNGDF soldiers.²¹ With the prospect of a peaceful solution brokered by Australia and New Zealand in March 1990, the PNG Government withdrew its security forces and deployed a blockade to restrict the import of goods. However, the growth of the BRA in the intervening months had led to a loss of central control. Factions started to develop within the BRA that acted on their own accord, pursuing personal and tribal interests that led to cases of theft, rape and murder.²²

These criminal acts increased in the security vacuum caused by the departure of the PNGDF and police and, more broadly, with the disappearance of all aspects of government administration.²³ Bougainvilleans opposed to these criminal gangs formed the Bougainville Revolutionary Force (BRF), funded and armed from sources within PNG.²⁴ This transformed a conflict that was ostensibly a war of independence.²⁵

One key point to note in this early stage of the conflict was the potential for elements within PNG to remotely foster an armed opposition (in this case the BRF). Additionally, there was a significant presence of uncontrolled military-grade weapons and ammunition at the cessation of hostilities.²⁶ Finally, the BRA was unable to control all of its elements because of competing personal and tribal interests.

The PNG Government and BRA signed the 'Endeavour Peace Accords' in July 1990. However, by September 1990, fighting resumed as PNG security forces were re-deployed to Buka (an island just off the northern tip of the main island) at the request of local chiefs who were increasingly frustrated by criminal elements within the BRA. By April 1991, the Endeavour Accords had become a distant memory and the escalating cycles of violence between the PNGDF and BRA ensured that a lasting and mutual distrust was forged between the population of Bougainville and the PNG Government.

Further international peace initiatives were attempted in 1994 and 1996 but to no avail. The PNG Government was almost brought to its knees in 1997 by a failed military coup, when it hired an external mercenary firm, Sandline, to deal with the BRA.²⁷ Ironically, the Sandline affair reversed the status of the PNGDF as oppressors. It also 'contributed to the peace process by providing opportunities and creating room to move for moderates in both the PNG government and among the BRA leadership'.²⁸

A peace settlement was finally achieved as a result of an international peace initiative, the 'Lincoln Agreement', signed in January 1998.²⁹ It established a ceasefire, setting the conditions for peace and reconciliation, and allowed for the deployment of an unarmed, Australian-led multinational Bougainville Peace Monitoring Group (PMG). The 'Bougainville Peace Agreement'³⁰ was signed in Arawa in August 2001.³¹ This agreement detailed the need to disarm, the need for good governance and the need to conduct a referendum for independence 10 to 15 years after the election of an autonomous government.³² A Bougainville Transition Team was deployed at the completion of the PMG mission in June 2003, and remained in Bougainville for a further 12 months.³³

Bougainville's constitution as an 'autonomous region' was gazetted by the PNG Government in December 2004 and the region conducted its first successful

election in 2005 (and has since conducted another successful election in 2010). However, it is important to note that the only successful peace negotiations in Bougainville have been brokered by a third party. It is also significant that local leaders and other community groups played a central role as peacemakers on the ground.³⁴ A major study pointed out that:

[M]ost accounts assume the top-down story is the master narrative and the bottom-up reconciliations are subsidiary. But in important ways the bottom-up micro-narratives subsume and infuse the top-down peace. This way of thinking—that peacebuilding starts in families and ripples out from there.... a transitional government that empowered chiefs, women, church and youth leaders to lead local reconciliations under councils of elders is an intermediate narrative that infuses the master peace narrative.³⁵

Additionally, the presence of an unarmed international security force that was considered neutral by all parties had an immediate and lasting impact in maintaining peace.³⁶

There are a several aspects of the conflict's history that provide an important context when analysing how the preparation, conduct and management of the aftermath of Bougainville's referendum on independence can be shaped for success. Firstly is the perception within Bougainville that the governments of PNG and Australia played a part both directly and indirectly in the conflict's origins. This is of particular relevance when contemplating PNG's and Australia's potential roles in the referendum's conduct.³⁷ Neither is seen as a completely neutral stakeholder by Bougainvilleans.

Secondly, it is important to note that the Panguna mine is recognised by PNG and Bougainville as having the potential to have a significant effect on their respective economies.³⁸ It is equally important to note that any resumption of mining needs to be approached very cautiously. Given that the conflict was due in large part to irreconcilable differences between key stakeholders over mining issues, assurances would need to be made that these issues have been resolved before efforts are made to resume mining. These conditions are unlikely to be met before the referendum takes place.

Thirdly, it is important to note that the only successful peace negotiations in Bougainville have been brokered by a third party, along with significant support from local leaders and other community groups who played a central role as peacemakers on the ground.³⁹ This is particularly relevant when contemplating regional support mechanisms for the conduct of the referendum, as well as identifying prospective stakeholders who can positively influence the conduct of the referendum within Bougainville and PNG.

Finally, the key conditions identified as essential for lasting peace as defined in the Bougainville Peace Agreement are disarmament, good governance

and the conduct of an independence referendum.⁴⁰ In terms of disarmament, there was a significant presence of uncontrolled military-grade weapons and ammunition at the cessation of hostilities. Weapons disposal still remains an issue on Bougainville today.⁴¹ Moreover, in terms of good governance, while Bougainville has shown a capacity to self-govern as an autonomous region, this is a very different proposition to governing as an independent nation state.⁴²

Part 3: Pre-referendum period

Introduction

Identifying and setting the necessary pre-conditions for the referendum will be an essential step in improving the referendum's chances of being peaceful, legitimate and lasting. Much has already been achieved in Bougainville during the post-conflict period. However, ensuring that robust governance is already in place, capable of taking on the rigours of implementing the referendum's outcome, is an important aspect in setting these conditions for success. Without this, it is unlikely that Bougainville will be able to implement the necessary changes to realise a capable, independent government.⁴³

Strong governance and accountability must also exist within Bougainville's judicial and security architecture. Confirming that disarmament of the population of Bougainville has been achieved is also essential.⁴⁴ While there was a disarmament program as part of the peace agreement, not all groups have disarmed. In particular, those groups who remained outside of the formal agreement most probably still retain a number of their weapons.⁴⁵ Finally, gaining widespread stakeholder support within the PNG Government and its opposition, as well as the Autonomous Bougainville Government (ABG) and the Bougainvillean population, will be essential for the conduct of the referendum. This will require a common understanding and acceptance of the referendum's methodology within Bougainville and PNG.

Political economy and conflict analysis

The hybrid nature of politics within Bougainville, whereby governmental and tribal structure operate simultaneously and interdependently, creates both complexity and opportunity.⁴⁶ The political system of governance on Bougainville is based on a liberal democracy, with the ABG having its own constitution and governing the Autonomous Region of Bougainville. And encouragingly, the people on Bougainville finally witnessed a return to democracy in 2005, when the first of two post-conflict elections was held.

The ABG is led by a President and consists of a House of Representatives made up of 40 members. It is supported by an administration comprising regional

commissioners of north, central and south Bougainville. Within these regions are ten districts. It is within this administrative function that governance is particularly weak.⁴⁷ Below this level is where the hybrid nature of Bougainville's government becomes most apparent, with Bougainville divided into 41 'Council of Elders' areas, representing the 500 or so villages across Bougainville.

The councillors are either elected or selected according to traditional custom. The ABG pays the councillors, who can access grants and distribute funds as they see necessary. The Council of Elders is considered highly effective and potentially offsets the shortfalls of the ABG administration.⁴⁸ The village assembly is the lowest level of authority and comprises the internal leadership of respective villages. While this is currently outside of the ABG, efforts are being made to incorporate these assemblies within the formal governance system.

The key point of tension relating to Bougainville's Government is a perception that the administration is under-performing in the delivery of basic services (health, education and infrastructure).⁴⁹ Jennings and Claxton note that '[i]ncompetence, misconduct and infighting remain among the Bougainville members of the PNG Parliament and Bougainville's Executive Council, House of Representatives and administration'.⁵⁰ The ABG asserts that this under-performance is due to financial constraints and impediments from PNG.⁵¹

In particular, there is a view within the ABG that the Joint Supervisory Board, an ABG-PNG institution whose mandate is to implement the peace agreement, is failing to carry out its role effectively because of poor relations with the National Co-ordinating Office of Bougainville Affairs (NACOBAA) of PNG.⁵² In 2011, the PNG Government committed to spend a K\$100 million grant for high-impact development projects every year for five years, as well as recurrent funding for annual public service costs.⁵³ These commitments are currently in arrears and there are growing levels of frustration about the tight control the PNG Government maintains on how this money is spent.⁵⁴

PNG's Prime Minister O'Neill recently admitted that 'there is a complete breakdown of government services in the region since the crisis, and the PNG government is not doing enough to restore these services'.⁵⁵ Recently, Bougainville's President John Momis asserted this was a deliberate ploy by PNG, which he believes is 'deliberately trying to fragment Bougainville'.⁵⁶ He also accused PNG of breaching both the PNG and Bougainville constitutions.⁵⁷

Significantly, the PNG Government has still not fully transferred all functions and powers to the ABG. These delays may increase local support for independence.⁵⁸ It would be an unfortunate outcome for a population to determine its future form of government based on an issue that could be resolved within current governmental arrangements.

Governance and capacity of security and justice institutions

The law enforcement and judiciary systems within Bougainville are plagued by problems. Similar to the government systems, law enforcement and judiciary systems are a hybrid structure. The Bougainville Police Service (BPS) is insufficiently resourced to cover the entirety of Bougainville and is focused on large population centres. There is a Community Auxiliary Police (CAP) force that operates in rural areas.

However, while appreciated by the locals, it can only operate within the bounds agreed by village heads and is, at times, influenced by local gangs.⁵⁹ This risks undermining the legitimacy of the entire law enforcement system. Similarly, the judicial system is underfunded, resulting in a heavy reliance on traditional law within village constructs, with only four district courts available. These courts sit infrequently because of funding limitations.⁶⁰

Governance within Bougainville has progressed in specific areas since the conflict ended.⁶¹ It has an established constitution, an elected democratic government and a hybrid customary structure that complements civic society. However, there are significant issues with effective government administration and limited law enforcement and judiciary systems that rely too heavily on local traditions as a result of insufficient resources.⁶²

These resource shortages are both a result of PNG's failure to provide sufficient funding and also poorly prioritised funding by the ABG.⁶³ This reliance on local traditions may undermine legitimacy if tribal differences emerge. It is essential that the PNG Government and ABG focus on effectively apportioning resources and training to develop a robust government that has the trust of the population.

Security and justice needs of citizens

The BRA had limited access to weapons in the early stages of the Bougainville conflict. Its forces were predominantly equipped with handmade arms, such as bows and arrows, and military arms caches from World War 2. The BRA was able to transform these very old weapons and munitions into useable fire arms and explosives with the assistance of some skilled metal workers, reportedly restoring hundreds of these weapons between 1990 and 1997.⁶⁴ As the conflict progressed, the BRA managed to acquire quantities of military-grade arms and ammunition from PNG security forces, using hit-and-run tactics such as raids and ambushes.⁶⁵ According to Sam Kauona, the BRA's military commander, 'the BRA never imported or bought any arms from abroad'.⁶⁶

The peace agreement specified disarmament as a precondition to the conduct of elections in 2005. The task was given to the PMG in 2001 and 2003.⁶⁷

During the disarmament process, there was a spate of thefts due to flawed security measures, resulting in up to 120 weapons disappearing.⁶⁸ While the UN Observer Mission Bougainville (UNOMB) declared that 'significant compliance' of disarmament had been achieved, sufficient to allow Bougainville to be declared autonomous, the actual level of disarmament was never quantified.⁶⁹

There is a view held by some commentators that the declared success of the UN's disarmament program in Bougainville was politically motivated in order to ensure the peace agreement remained on schedule to achieve autonomy in accordance with the planned timeline.⁷⁰ Volker Boege, for example, contends:

There are still a large number of weapons in the communities. This contributes to a general feeling of insecurity. Some areas of Bougainville are still controlled (to varying degrees) by armed groups that have not (yet) joined—or have not remained in—the peace process.⁷¹

A recent UN report similarly assessed that significant quantities of weapons remain in Bougainville.⁷² It is important to note that formal disarmament measures only applied to those organisations within the peace process.⁷³ Organisations such as the Meekamui Defence Force and Bougainville Freedom Fighters in the south of Bougainville were not signatories to the peace agreement and were not subject to disarmament.⁷⁴ These groups still pose a threat to peace and security, particularly while they remain armed.

There are also numerous World War 2-vintage weapons and ammunition caches yet to be neutralised. The area of Torokina, on the west coast, is a particularly rich source of arms and ammunition.⁷⁵ The Australian and NZ Prime Ministers recently committed to support a program to reduce the threat of unexploded ordinance, which could assist in reducing identified ammunition caches.⁷⁶ There is also evidence to suggest that Bougainville is the centre of a low-level trade of small arms and ammunition between the Solomon Islands and PNG.⁷⁷ While only a small percentage of weapons are thought to remain in Bougainville (most are sold to buyers elsewhere in PNG), there is insufficient knowledge to make accurate assessments of the actual threat.⁷⁸

While the presence of weapons does not in itself pose a threat to stability within Bougainville, it is a critical component of any form of instability, as they provide the 'capability' component to a potential threat. The final ingredient required to realise a threat to instability is 'intent'. It is quite possible that the intent to destabilise the referendum will be present among some groups on Bougainville, and potentially also within some stakeholders on mainland PNG.⁷⁹

Other frameworks and programs

Shaping stakeholder support for the referendum is a vital pre-condition to enhance its prospects of success. The most important of these stakeholders are within the PNG Government and its opposition, and within the ABG and

Bougainville's population. While not all individuals within these groups will be swayed to support the referendum, it is important that there is a clear majority.

The PNG Government is a critical element of the referendum, as the outcome, regardless of whether it is in favour of an autonomous or independent state, will have to be ratified for it to be formal and binding. There are several risks for the PNG Government associated with ratification of independence. Firstly, there is concern that it sets a precedent that may be a catalyst for instability in other provinces.⁸⁰ Secondly, ratification will not be forthcoming if the PNG Government is unsure of Bougainville's capacity to govern as an independent state. PNG's Prime Minister O'Neill recently indicated that he was 'not pleased with Bougainville's administration.'⁸¹

However, conflict is by no means a certainty even if the Government fails to ratify the referendum's outcome. The population's comparatively recent memories of the conflict's devastating effects in both PNG and Bougainville should make such an event less likely.⁸² Regardless, a PNG Government which is supportive of the process and outcome is preferable to the converse.

Nevertheless, the presence of potential spoilers within PNG's political opposition parties cannot be discounted. A referendum marred by violence or allegations of fraud may be seen by some as an opportunity to achieve political gains against the Government. Accordingly, the leadership of PNG opposition parties needs to be engaged early by the PNG Government, with the aim of achieving bipartisan support for the referendum and its processes.

The ABG will also need to engage in the referendum process early, shoring up bipartisan support for the referendum across the leadership and opposition within Bougainville. Possibly the most important organisations to engage early are those groups which have remained outside the peace process, as they are potential sources of tension during the referendum.⁸³ Gaining support from groups such as the Meekamui will be critical in minimising organised opposition, although there have been some very positive signs from this group, with its leader, Philip Miriori, saying:

[W]e the Meekamui, announce to the Honourable Prime Minister of Papua New Guinea and the world at large our intention to formally conclude the civil conflict that existed between Bougainville and PNG and most of all it is significant because we make peace and reconciliation the foundation of our future.⁸⁴

It should be noted, however, that there was no specific mention of the referendum in these comments. Importantly, the wider domestic audience also need to be educated in the process and the options of government available to them.⁸⁵ It is the community leaders and groups, such as the tribal chiefs, women, church and youth leaders who were so important in the Bougainville

peace process, who could also be valuable in informing the society of the referendum, its conduct and implications.⁸⁶

An important aspect of garnering widespread support will be engaging those agencies responsible for the conduct of the referendum and ensuring all planned processes will meet international standards and survive intense domestic and political scrutiny. Garnering support from external agencies, such as the Australian Electoral Commission, will significantly assist this process. All stakeholders, as well as the wider domestic audience, need to be convinced of the integrity of the planned processes well in advance of the actual referendum.

Summary

The pre-referendum period is a critical phase in shaping the referendum for success. Ensuring that there is robust governance and administration is essential in ensuring Bougainville is postured to succeed, regardless of the outcome of the referendum. Poor administration in the pre-referendum period may leave Bougainvilleans questioning the validity of the outcome, and could be a catalyst for further tensions.

There are also issues within the judicial and law enforcement sectors that must be addressed prior to the referendum. Disarmament, while already declared as an achieved outcome by the UNOMB, is in some doubt given recent estimates.⁸⁷ The minimum level of disarmament must be quantified and then assessed. Finally, significant efforts must be made by both the PNG Government and ABG in this period to gain stakeholder support for the referendum.

Part 4: Independence referendum period

Introduction

The period spanning the final preparation and conduct of the referendum will be a crucial time. The probability of a peaceful referendum is high, providing the following conditions have been set:

- the ABG is fully prepared and capable of governing regardless of whether Bougainville remains an autonomous region or an independent state;
- there is bipartisan support for the referendum across the key stakeholders within the PNG and Bougainville political spheres; and
- the parties within Bougainville who have remained outside of the peace program have been engaged.

However, regardless of stakeholder engagement, there is every possibility that there will still be elements who seek to spoil the referendum. Accordingly, both

the PNG Government and ABG will play a vital role during the referendum in reinforcing its legitimacy. It is also essential that there is an impartial security infrastructure, ideally provided by regional neighbours, which can deal with acts of violence and intimidation. Finally, consideration must be given to the methods of improving economic viability beyond mining, prior to the completion of the referendum, through diversification of and investment in local businesses.⁸⁸

Political economy and conflict analysis

The PNG and Bougainville Governments have already started establishing internal organisations to support the referendum. The PNG National Executive Council will establish a special parliamentary committee to provide political oversight and leadership for the Bougainville referendum.⁸⁹ This confirms the PNG Government's commitment to the successful conduct of the referendum.⁹⁰ The Bougainville Referendum Committee, vested with the responsibility with overseeing preparations for the referendum, has also been established. Bougainville has already conducted two elections since the conflict ended, which has provided invaluable experience in democratic voting processes, although:

The main criticism of the Bougainville Electoral Commission has been the inadequate voter registration process.... The delay has been attributed to the slowness in receiving funds from both the ABG and PNG national government.⁹¹

Despite some significant administrative issues, there is evidence to suggest the Bougainville Election Commission is aware of the need for wide stakeholder representation. The 2010 election was largely conducted in a peaceful and compliant manner. There was greater voter participation in the central region, where the rebel Meekamui group had blocked access in the previous election. Prior to the 2010 election, the Meekamui signed a memorandum of understanding with the Bougainville Electoral Commission to allow unfettered access for the Commission, police and international observers.⁹²

Bougainville has shown very promising progress in its democratic transition. Further improvements in identified areas of weakness, such as voter registration processes, will be essential in preserving the referendum's legitimacy given its contentious nature. However, while recent election experience shows positive indicators, there are still significant issues to be addressed, and important details such as the timing of the vote are still unclear.⁹³

As already described, the peace agreement was specific in its referendum pre-conditions, including weapons disposal and good governance.⁹⁴ But as was evident in the 2005 elections, defining what constitutes 'sufficient disarmament levels' and 'good governance' will be difficult. Furthermore, government elections in Bougainville and PNG are due to occur in 2015 and

2017 respectively.⁹⁵ New governments would present an additional risk to the referendum and should both be given at least 12 months in government before conducting the referendum.⁹⁶

Another significant issue will be the nature of the referendum itself. While the peace agreement mandates a referendum on the political status of Bougainville, it does not specify whether independence is the only other viable solution to current arrangements, saying only that 'the choices available in the referendum will include a separate independence for Bougainville'.⁹⁷ Alternative solutions such as a 'Free Association' state, as seen in the Cook Islands and Niue, may be worth consideration as opposed to an all-or-nothing approach.

The currently ill-defined nature of the referendum introduces additional uncertainty to an already sensitive issue. While recent government elections have been relatively free from violence, the emotional nature of this referendum invalidates any assumption that the referendum will be the same as a routine election.⁹⁸ Accordingly, the measures taken to mitigate this risk must be considered closely, catering for all contingencies without unnecessarily escalating the situation.

Governance and capacity of security and justice institutions

As has already been discussed, the BPS is limited in size and capability. While it is capable of dealing with low-level crime, it does not have the capacity to deal with armed gangs or armed and organised spoiler elements. Building on the success of New Zealand's police support program, there is scope to enhance the BPS with additional training and equipment.⁹⁹ There is still a small New Zealand police cadre on Bougainville that assists in recruiting, training and managing Bougainville's CAP. Regional reinforcement of this small element would be invaluable in ensuring that the BPS maximises its capabilities for the referendum.¹⁰⁰

It is unlikely that the BPS can manage the security for the referendum without additional manpower and technical support, given the potential presence of spoilers and armed gangs. If nothing else, it will require a highly mobile force on very short notice to reinforce areas of concern. Such a force would also present a deterrent to potential spoilers. While PNG could constitutionally provide this support if requested, it is unlikely that such a solution would appeal to either PNG or Bougainville, given the likely tensions it would cause.¹⁰¹ Similarly, an Australian-led force may attract unwanted attention from potential spoilers.

The forces that appear to have had the most effective outcomes within Bougainville are composite forces from the wider Pacific Islands.¹⁰² Given that the referendum will not occur before 2015, there is also scope for Australia's newly-commissioned HMAS *Canberra* to act as an off-shore command, control and

support node for a 'Pacific Island Response Force' that could remain on standby to support the BPS if the situation destabilised. With a number of liaison officers, a comprehensive communication plan, and a mobile regional police response force, the potential for violent outbreaks would be significantly mitigated.

There is a risk that the presence of foreign security forces may be interpreted as a lack of confidence in the BPS. However, the local community is still very familiar with the presence of forces from the Pacific Islands.¹⁰³ Provided a careful information plan is developed by the ABG, it is unlikely this would be a significant issue. Regardless, this option is preferable to the presence of security forces from PNG or uncontrolled violence during the referendum.

Security and justice needs of citizens

As already described, the risk of spoilers and armed gangs is a distinct possibility during the elections.¹⁰⁴ Any actions undertaken by these groups that either causes harm to government officials or voters, or influences the way in which locals vote, would seriously undermine the credibility of the referendum. It would also potentially have repercussions for the perceived legitimacy and credibility of the governments within PNG and Bougainville.

It may also negatively influence the PNG Government's decision to ratify the outcomes of the referendum on the basis that Bougainville is not sufficiently mature to govern itself as an independent nation. While every effort to reconcile with groups in Bougainville that have remained outside of the peace process can be made, it is highly unlikely that all groups will support the process. This would create a sense of uncertainty within the community and may impact on voter participation in the referendum.¹⁰⁵

While groups such as the Meekamui are now showing signs that they are supportive of the peace process, support of the referendum may be a different matter.¹⁰⁶ This is particularly the case given that the issue of mining has still not been resolved.¹⁰⁷ A referendum on independence just transfers the risk of agitation from the PNG Government to the ABG. Other potential spoilers to the referendum are warlords in the south.¹⁰⁸ The reconciliation of three former BRA commanders, BRA 'king pin' Ishmael Toroama, Moses Pipiro from the Meekamui Unity Government and Chris Uma from the original Meekamui faction, is a significant and positive step forward.¹⁰⁹

However, there are still a number of 'wild cards' within Bougainville who could attempt to spoil the referendum. According to Boege, '[i]n parts of southern Bougainville there are still some (relatively small) armed groups involved in localized violent conflicts, the causes of which can be found in land disputes or issues dating back to the war of the 1990s (pay back).¹¹⁰ Warlords such as

Noah Musingku have shown no intention of integrating themselves and their gangs into the peace process and are unlikely to do so in the future.¹¹¹ The BPS will need to closely monitor these individuals leading up to the referendum, and they will need to be warned of the probable repercussions for them, personally and as a group, if they choose a path of disruption.¹¹²

Also, the possibility of spoilers from mainland PNG cannot be discounted. Opposition parties and individuals who are opposed to the government within PNG may take the opportunity to place the current government in a bad light. Opposition elements within PNG have shown that they are willing to go to significant lengths to discredit the Government. As noted by Peter Jennings and Karl Claxton, '[a]rmed militias and criminal groups clashed periodically in the south [of Bougainville] until 2011 and could be remobilised to pursue political ends'.¹¹³ Supporting spoiler organisations within Bougainville during the referendum is not beyond the realm of possibility.

Other frameworks and programs

Given that the peace agreement details 'good governance' as a pre-condition for the referendum, there is a view held by some commentators that Bougainville must first be deemed economically self-sufficient. While this is not specified within the parameters laid down in the agreement, good governance implies a viable economy or sufficient external funding from the PNG Government or elsewhere.¹¹⁴

From this logic, one could conclude that progress should have been made in recommencing Bougainville's lucrative mining industry as a precursor to, or in concert with the referendum. President John Momis stated in 2011 that he 'sees re-opening Panguna as the most realistic way of contributing to broad based economic growth'.¹¹⁵ While this will cost an estimated A\$3 billion, it would provide access to copper reserves worth approximately A\$50 billion.¹¹⁶ As pointed out by Jennings and Claxton, this is already occurring and '[c]autious moves are underway towards resuming the only realistic economic basis for independence or meaningful autonomy'.¹¹⁷

There are several issues with such an approach. The complexities and emotions associated with independence and mining, in combination, may cause a spike in tensions within the community and may lead to an outbreak of violence. Certainly, 'negotiating the most conflict prone problem in Bougainville today is a high risk endeavour'.¹¹⁸ Secondly, it may be premature to start negotiating with mining companies before a decision on whether Bougainville will remain autonomous or becomes independent is determined.

If a mining lease were negotiated prior to or during the elections, the PNG Government would have a significant voice in the negotiations and would potentially become a benefactor.¹¹⁹ However, the PNG Government would no longer be a stakeholder if Bougainville becomes an independent nation,

which would necessitate a renegotiation. It is also possible that the current ABG is not sufficiently mature to deal with such a sensitive issue, particularly as it faces so many other challenges.

The mining issue has already started to cause tensions, with allegations that the PNG Government is attempting to gain access to Bougainville's mining industry. According to Bougainville's President Momis, PNG's Prime Minister O'Neill has proposed the expropriation of Rio Tinto's 53.6 per cent stake in BCL, further alleging that:

[Prime Minister O'Neill] proposed to me directly that the national government would repeal the Bougainville Copper Agreement Act and expropriate all Rio Tinto shares in BCL.... I knew Bougainvilleans would object to PNG controlling the development of mining at Panguna ... [s]o I wrote to the PM, opposing what he proposed in the strongest terms.¹²⁰

While it is probable these allegations are linked to political point-scoring in the lead-up to Bougainville's 2015 elections, it is a clear indicator that the mining issue still has the potential to cause instability. Bougainville has survived without the mining industry for the last two decades, albeit with support from PNG and the international community. It may be more prudent to continue with externally-provided fiscal support until after the referendum. As Peter Sohia, the President of Bougainville's Chief of Staff stressed, 'the re-opening of the Panguna mine should never be used as a condition for Bougainville's political future'.¹²¹

The Bougainville and PNG Governments could strive to foster other sustainable business ventures within Bougainville that are less contentious, to offset risks associated with mining. Agriculture, fisheries and tourism are potential economic drivers that have significantly less issues attached to them. For example, the production of cocoa has almost returned to pre-conflict levels, after the industry collapsed as a result of the trade embargo initiated by the PNG Government during the conflict.¹²²

In the pre-conflict period, even with the Panguna mine operational, annual household incomes derived from cocoa were 40 per cent greater than compensation payments from mining in the Panguna area.¹²³ All cocoa is exported, making it an excellent example of an income option beyond mining.¹²⁴ Diversification of Bougainville's economy is an essential ingredient to success. Firstly, it would mean that Bougainville could undertake a referendum without mining being a complicating issue. Secondly, Bougainville would remain viable as an independent nation or autonomous region should the mining industry falter.

It is critical that if Bougainville does decide to allow mining to recommence, it does so when all conditions are set for success. Small-scale alluvial gold mining is already operating extensively within Bougainville,¹²⁵ undertaken by numerous

private and local companies, which has extended to hard rock mining.¹²⁶ This poses a risk in itself, as these stakeholders may be threatened by the return of larger companies like BCL.¹²⁷

If the mining industry re-commences and then falters, the industry may lose interest in Bougainville's natural resources indefinitely. This would be potentially catastrophic to Bougainville's long-term prosperity. Certainly, it would seem preferable to start cautiously and build on solid foundations than risk it all for a quick but fleeting win.

Summary

Issues such as the referendum design and timing are still potential points of friction that require attention prior to the referendum's conduct. The potential for spoilers and gangs with differing agendas to unhinge the legitimacy of the referendum remains a significant risk. The PNG Government and ABG must focus on these issues in the lead-up to the referendum to reduce these threats, although they are unlikely to be entirely mitigated.

While additional training of the BPS will partially address this issue, the South Pacific regional community needs to be prepared to reinforce Bougainville's limited security architecture to guarantee a free and fair referendum unimpeded by spoilers. Finally, dealing with the contentious issues surrounding mining need to be deferred until after the referendum, with a focus placed instead on developing a range of diverse economic opportunities beyond large-scale mineral exploitation.

Part 5: Post-referendum period

Introduction

The first 12 months after the referendum, regardless of its outcome, will be a critical period for Bougainville. The prognosis for Bougainville's future is bright if the referendum's conduct and outcomes are deemed legitimate. Conversely, a rejection of the referendum's outcome by either the PNG Government or the ABG may result in a return to instability or conflict. There are several factors which will likely influence this outcome.

Firstly, the Governments of Bougainville and PNG need to swiftly ratify the referendum's outcome. Secondly, there needs to be a commitment to continuing reforms in governance and capacity of security and justice sectors within Bougainville.¹²⁸ Thirdly, the security and justice needs of the society must be addressed, to a point where all communities within Bougainville perceive their future is secure, regardless of their tribal affiliations or geographic locality.¹²⁹ Finally, there needs to be a solution found to recommence mining on Bougainville that is supported by all key stakeholders.¹³⁰

Political economy and conflict analysis

The first and potentially most critical issue in the post-referendum period is ratification of the referendum outcome by both the Bougainville and PNG Governments. It is difficult to predict the outcome of the referendum with any certainty. It is highly likely that the Government of PNG would be most supportive in ratifying the outcome if Bougainville were to vote for autonomy. However, it is quite possible that pro-independence groups within Bougainville, such as the Meekamui, could rearm.¹³¹

Current indications would suggest that a majority of the population will vote for independence, although there is also likely to be a significant minority who will vote for autonomy.¹³² Boege suggests that '[t]his division is to a certain extent along the old conflict lines of the war and along geographical lines, with Central and South Bougainville more pro-PNG.¹³³ While there are no identified pro-PNG groups within Bougainville that are likely to oppose an independence vote, there is a possibility that the PNG Government would not ratify the outcome on the basis of insufficient disarmament or ineffective governance, in accordance with the mandated pre-conditions of the BPA.¹³⁴

There are also indications that while the ARB is likely to vote for independence, many Bougainvilleans do not understand what independence actually entails and may be disappointed with the results.¹³⁵ Community education and expectation management strategies are needed to deal with this issue.

Given these potential threats to peace in the aftermath of the referendum, it would be prudent for the ABG to seek an endorsement from the PNG Government that the necessary conditions of governance and disarmament have been met before undertaking the referendum.¹³⁶ Additionally, there should be close consultation between the two Governments prior to the referendum, guaranteeing a ratification of the outcome of the referendum if the electoral process and conduct is deemed legitimate by both the Bougainville Election Council and an external regional election audit team.¹³⁷ There is unlikely to be any basis on which the referendum's ratification could be withheld if these conditions are met.

Similar guarantees need to be sought formally and in writing from potential spoiler organisations, such as the Meekamui, to agree to honour the outcome of the referendum, regardless of whether it is in favour of autonomy or independence. Ensuring that security and justice are maintained throughout this ratification process will require the presence of a regional security architecture, ideally provided both during and for some time after the referendum's conduct.

Governance and capacity of security and justice institutions

As already described in relation to pre-conditions, a significant amount of work is required to enhance both the law enforcement and judicial organisations in Bougainville to ensure security is maintained in the aftermath of the referendum. This will be particularly critical in the event that Bougainville becomes an independent nation. Independent nations require the presence of an existing and capable security and judicial infrastructure, whether indigenous or provided by a third party such as the UN.

However, it is unlikely that the security and judicial infrastructure will be sufficiently developed prior to the referendum. Even if significant improvements are made, they will be made in a paradigm of an autonomous region as opposed to a fully independent state. Once the referendum outcome is determined, both the judicial and security architecture will need to be re-organised to suit the form of government that is implemented.

The effectiveness of the police apparatus on Bougainville currently varies according to the region. In some areas, it is highly effective¹³⁸ while in others it is highly ineffective, relying on external stakeholders, such as armed gangs, to support it in applying the law.¹³⁹ This is not an acceptable practice in either an autonomous or independent state. In terms of policing, a recent independent evaluation concluded that while the CAP was developing appropriately, the long-term prognosis of the BPS was far less promising.¹⁴⁰

The judiciary apparatus, while appearing to apply suitable governance, is similarly insufficient in its capacity to meet the needs of Bougainville.¹⁴¹ In both security and judicial matters, the hybrid nature of the community provides some opportunity to offset the capacity issue. However, it needs to be managed very carefully to ensure that there is a consistent application of law across Bougainville.

There is a view that an enhanced communications infrastructure, providing better inter-connectedness and inter-dependence among tribal groups that have traditionally been in conflict, would improve security.¹⁴² Improved interior lines of communication could be expected to enhance the opportunity for trade among the different communities which, in turn, would develop dependencies and erode any desire to continue conflict in favour of economic prosperity.¹⁴³

Another issue that will emerge in Bougainville as the mining industry recommences is security of the mine.¹⁴⁴ There is a growing acknowledgement of the nexus between human rights abuses and the private security contractors employed to secure mining company assets and property. This prompted the Australian Government to announce its support for the voluntary principles detailed in the 'Global Human Rights and Mining Initiative' of December 2012.¹⁴⁵

For its part, the ABG will need to develop policies on how mining security will be provided. There are two options open to the ABG to secure mining assets and personnel, both with opportunities and risks. If the Government commits to providing security for mining sites through the BPS or CAP, there will be cost and capacity considerations.

If it is determined that the mining company should be responsible for the provision of its own security, there are risks that ill-disciplined security elements will cause frictions within the community through heavy-handed tactics and criminal behaviour.¹⁴⁶ There are disturbing examples of these abuses within mines currently run on mainland PNG, where ex-combatants and former police undertake security duties, often with a degree of impunity.¹⁴⁷ A reported example is that mine security personnel at Porgera 'engaged in violent abuses with impunity in 2009 and 2010'.¹⁴⁸

The final issue that will need to be resolved, or at least mitigated, in order to improve the prospects for security are the ongoing border disputes between tribal groups.¹⁴⁹ This needs to be a pre-condition to the resumption of mining. One option is a method already used elsewhere in PNG, where the Government manages a customary land, borders and property register.¹⁵⁰ While the processes are typically intricate, involving all stakeholders in a particular location, there are examples which have been quite successful and may serve as an exemplar to Bougainville.¹⁵¹

Security and justice needs of citizens

There are still significant issues regarding the actual and perceived safety of Bougainvilleans that will need to be addressed before or as soon as the referendum is complete. In April 2013, a mob of angry villagers on Bougainville beheaded a female teacher who was accused of sorcery, in the presence of unarmed police, while three other females accused of witchcraft were kidnapped and tortured for two days.¹⁵² The Acting Assistant Police Commissioner for South Bougainville, Paul Kamuai, said local forces were unable to stop the violence, contending that:

Police on Bougainville are not armed. Even if we're armed, there are more arms still out there.... I have eight regular police. They do not have a proper police station—they live in the villages. So we can't very quickly get them to act in a group.¹⁵³

While Prime Minister O'Neill has since pledged to repeal the *Sorcery Act*,¹⁵⁴ which legally recognises sorcery and witchcraft as a legitimate and recognised phenomenon, the key issue is that the police force has often been unable to prevent crimes occurring in its presence. This issue requires urgent action, preferably before or within 12 months after the referendum. While the security and judicial structures must be economically sustainable, they must be sufficient to protect the society in which they serve.

Again, while the hybrid nature of the government, police and judicial organisations can support formal government organisations, they cannot substitute for it. There is anecdotal evidence to suggest that tribal chiefs have lost some of their traditional power to ex-combatants and gang leaders:

There remains a warning sign in the will of young men to be in charge of chiefs during the war. Bougainville needs a youth policy and a bigger place in civil and political society for youth leaders. That worry was palpable on the roadblocks for years after the conflict ended, where many fourteen to sixteen year olds who had never fought in the war occupied a post-conflict spoiler niche.¹⁵⁵

Other societal issues such as drug abuse also weaken the tribal structures and norms. There is a growth of a marijuana culture among young people, as well as growing issues with teenage pregnancy.¹⁵⁶ Traditional systems are not well structured to deal with these emerging social issues. As Bougainville matures and evolves, so too will its societal issues. Well-developed, responsive government policies and organisations designed to execute these policies will be needed to deal with these emerging 'modern' issues, as opposed to more traditional tribal methods and structures.

Other frameworks and programs

The issue of mining, which was a root cause of the Bougainville crisis, is very complicated.¹⁵⁷ It would be prudent to wait until a determination of independence or autonomy has been made before recommencing large-scale mining. However, it is imperative that this process is slow and cautious, integrating all stakeholders.¹⁵⁸ Issues such as land-holder disputes, environmental management, foreign investment and employment, and apportionment of royalties and reparations must be dealt with before any mining commences, otherwise the risk of a return to conflict will be significantly increased.¹⁵⁹ If successfully executed, the mining industry will have a profoundly positive and lasting impact on Bougainville's prosperity.¹⁶⁰

As identified earlier, options to stimulate the economy beyond mining are essential in ensuring that Bougainville avoids an over-reliance on the mining economy. It is estimated by Bougainville's Commerce and Trade Office that Bougainville's economy will increase by K\$250 million by 2017, with cocoa contributing K\$110 million, copra K\$18 million, alluvial gold K\$30 million and scrap metal another K\$30 million.¹⁶¹ Improvements in infrastructure, education and potentially agriculture and fishing subsidies are all methods to prevent an over-reliance on what is a volatile and at times fickle industry. Even infrastructure aimed at enhancing tourism may be a useful alternative.

Developing its human resources and capacity building are significant challenges that will be faced by Bougainville.¹⁶² Bougainville has a particularly

young demographic, with approximately 60 per cent of the population under 25 years of age.¹⁶³ While this could be considered a significant opportunity for Bougainville, in that it provides a large workforce base and a relatively small aged community requiring social support, it is also a potential cause of high levels of unemployment.

When combined with the education data, which indicates that 13 per cent of the population had no schooling between 1992 and 2005 (compared with 2 per cent prior to the conflict) and 35 per cent of school-age children are not in school, the latter appears more likely.¹⁶⁴ Compounding this difficult demographic picture is the lack of recovery in Bougainville's GDP. In 2011 the per capita income in urban Bougainville was 40 per cent of the average pre-conflict per capita income.¹⁶⁵

Improving the reach of education across the youth in Bougainville will need to become a government priority in the post-referendum period.¹⁶⁶ Training will also be essential if local Bougainvilleans are going to be employable within the mining, fishing, tourism and agriculture industries.¹⁶⁷ The validity of this approach has been reinforced by the recent criticism from politicians, community leaders, women's groups and landowners over President Momis' focus on the return of mining.¹⁶⁸ There appears to be a growing view that the ABG should be doing more to support local agriculture and other locally-owned business enterprises.¹⁶⁹

Summary

It is essential that the referendum outcome is ratified by both the ABG and PNG Government as soon as it is complete. A failure to ratify the referendum would potentially reignite internal tensions and must be avoided at all costs. Additionally, the security and justice needs of the society need to be met, to a point whereby all communities within Bougainville perceive their future is secure, regardless of their tribal affiliations or geographic locality.

Tangible improvements in these areas would have a significant and positive impact on the perception of the legitimacy of the referendum's outcome. Finally, there needs to be a carefully-planned and cautiously-progressed recommencement of mining on Bougainville. This needs to be part of a wider plan for economic prosperity that simultaneously develops diversified sources of income.

Conclusion

Understanding how the Bougainville referendum for independence should be shaped in its preparation, conduct and aftermath management is a complex issue spanning governance, security, justice and economic issues across a wide range of stakeholders. It requires a highly-developed and methodical framework to ensure all relevant issues are considered. The OECD SSR

framework, which has already been tested and proven as an analytical tool in other scenarios, would seem to have particular relevance and value when considering Bougainville's proposed referendum.

The pre-referendum preparation period, spanning 2014 through until the commencement of the referendum, is a critical stage in ensuring pre-conditions are met to positively influence a successful outcome. Ensuring that the ABG is well governed, as well as enhancing its judicial and security architecture, including confirming that disarmament has been achieved, and garnering widespread support for the referendum among key stakeholders are all key elements of this stage.

The referendum's conduct must be tightly controlled, and largely free of spoilers, violence, intimidation and fraud, allowing all Bougainvilleans to vote freely and without fear for their safety. Post-referendum management, particularly in the first 12 months, will be the final critical period in ensuring the aftermath of the referendum sets the conditions for ongoing peace and stability. Endorsement of the referendum outcome by the PNG and Bougainville Governments, and the development and implementation of necessary policy reforms that promote stability and security, and reinvigorate Bougainville's economy will be essential elements of this post-referendum period.

If the referendum is successful, it may set the stage for long-term peace and stability on Bougainville. If not, it may result in a return to bloody conflict. In this event, the responsibility to restore peace and stability is unlikely to return to PNG. Rather, it will become a regional problem. Given this prospect, it is in the region's best interests to become pro-actively involved in shaping the referendum's prospect for success. The old adage that 'prevention is better than cure' could not be more apt. If history is any guide, a 'cure' to renewed conflict on Bougainville would cost millions of dollars, and potentially many lives.

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Japan's Strategic Re-posture: Prime Minister Abe and the implications for the Japan-US alliance and regional security

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Abstract

This paper explores Prime Minister Abe's new international agenda, examining how it is changing Japan's strategic posture within the Japan-US alliance, and assessing its implications for regional security. The paper looks at Abe the individual, his political ideas and how his vision for Japan is driving the change. It also examines the Japan-US alliance, primarily in the context of framing a broader discussion on Japan's approach to the security challenges posed by North Korea, China and non-traditional threats.

The paper argues that Abe is the primary driver of Japan's change in strategic posture. It also contends, however, that while Abe's vision for peace and prosperity constitutes a worthy ideal, the implementation of his vision has significant implications for the Japan-US alliance and Japan's relationships with other countries in the Asia-Pacific region. It concludes that in order to realise the vision, Japan will need to nurture key relations, particularly with the US, China, the Republic of Korea and ASEAN.

Introduction

You have enemies? Good. That means you've stood up for something, sometime in your life.

Winston Churchill¹

Prime Minister Shinzo Abe's keynote address at the 2014 Shangri-La Dialogue defined his vision for Japan.² Articulating his desire for 'peace and prosperity in Asia, for evermore', Abe broadcast to the world his intent for Japan to play an active role through his 'proactive contribution to peace' initiative.³ Abe also framed his initiative in the broader context of a united mission for the Asia-Pacific region when he stated:

I think all of us in the room here share a common mission. The mission is one of pursuing better living standards and economic prosperity. It's a mission of bringing into full bloom the latent potential of this great growth centre and the people living there, stretching from Asia and the Pacific to the Indian Ocean. We must build and then hand over to the next generation a stage on which each and every individual can prosper still more and certainly benefit from the fruits of growth.⁴

There seems little doubt that Abe is a leader with a sense of vision that he is prepared to act on. While his success or otherwise will be critically reviewed with the benefit of hindsight, history will also judge his performance in the context of a series of complex geopolitical and geostrategic circumstances, with both domestic and international implications, which have impacted Japan's interests in recent years.

Domestically, Abe is faced with a legacy of poor economic and fiscal reform that has perpetuated Japan's economic stagnation. Abe summarised the situation in July 2013 when he asserted that 'over the last few years, an anaemic economy in Japan has engendered feeble politics, which in turn weakens the economy further'.⁵ Contributing to this problem has been the steady decline in the size of Japan's labour force, compounded by the burden of an ageing population.

These prevailing economic and work force dynamics have all contributed to a weakened domestic market. Balanced against a broader social agenda, Abe has also been driving the debate on the role and tasks of Japan's Self Defense Forces (JSDF)—a significant contributing factor in the implementation of his 'proactive contribution to peace' initiative—much of which is centred on Japan's lawful right to undertake collective self-defence.⁶

Internationally, Japan's ongoing alliance arrangement with the US is critical for a number of reasons. First, this relationship facilitates US engagement in the region, guaranteeing a level of security that Japan cannot provide unilaterally. Second, it shapes Japan's stance against an unpredictable and potentially nuclear-armed North Korea. Third, the Japan-US alliance influences Japan's approach to broader engagement with regional countries.

In particular, Japan's relationship with China and the Republic of Korea (ROK) could be viewed as a barometer of the regional security environment. Japan currently has territorial disputes with both these countries and a divergent perspective of their recent history that is the subject of much debate. These factors create two trilateral dynamics of tension within Japan's immediate neighbourhood; Japan-China-US and Japan-ROK-US, with the Japan-US alliance central to both.

Japan also continues to pursue a multilateral agenda, primarily through a comprehensive engagement strategy with the Association of Southeast Asian Nations (ASEAN), to develop and contribute to broader peace and security initiatives throughout the Asia-Pacific region.⁷ However, for the purposes of this paper, only those forums specifically dealing with security-related matters will be discussed further, notably the ASEAN Regional Forum, ASEAN Defence Ministers Meeting Plus, and the East Asia Summit.

Figure 1. Japan's location relative to the Asia-Pacific region⁸



Japan's economic and JSDF reform objectives have implications for neighbouring countries, particularly as Japan's strategic posture shifts. This context of change is underpinned by the evolving Japan-US relationship, itself nested within a range of security challenges involving relations with China, the ROK and North Korea, as well as extending further south into the ASEAN region.⁹ Further, and ironically, Abe's efforts to re-energise debate about Japan's standing within the global community and his desire for peace and prosperity for Asia serve to compound the security challenges.

Therefore, understanding how Abe intends to propel Japan forward is important because the impact domestically and internationally is different. Domestically, the impact is changing Japan's strategic posture, which has been characterised as defensive and passive since World War 2. Internationally, there is some unease about Abe's narrative and what he seeks to achieve. Therefore, any shift in Japan's strategic posture, particularly involving the JSDF actively contributing to peace and security, requires a balanced diplomatic and messaging strategy in order to promote good relations with its neighbours, particularly China and the ROK.

Against that background, this paper explores Prime Minister Abe's new international agenda, examining how it is changing Japan's strategic posture within the Japan-US alliance and assessing its implications for regional security. It will argue that Abe is the primary driver of Japan's change in strategic posture. It will also contend, however, that while Abe's vision for peace and prosperity constitutes a worthy ideal, the implementation of his vision has significant implications for the Japan-US alliance and Japan's relationships with other countries in the Asia-Pacific region.

In order to realise Abe's vision, the paper will argue that there is a requirement for Japan to nurture key relations, particularly with the US, China, the ROK and ASEAN. Otherwise, the implementation of the vision could leave Japan isolated. To illustrate how Japan's defensive strategic posture is changing, the paper will look at Abe the individual, his political ideas and how his vision for Japan is driving the change. This will be followed by an examination of the Japan-US alliance, which will be used to frame a broader discussion on Japan's approach to the security challenges posed by North Korea, China and non-traditional threats.

Abe: the driver of change

This section of the paper focuses on Abe and his vision for Japan. To appreciate the context of Abe's vision, it is necessary to better understand the individual and how his experiences have shaped his political views over two terms in office. Following this insight, Abe's vision for a greater Japan will be explored

through a review of his economic agenda, framed by a broader discussion on his approach to regional security. These overviews serve to highlight Abe's personal investment in the reform process and Japan's proposed trajectory for peace and prosperity. It will be argued that, ultimately, the driver behind Japan's changing strategic posture is Abe himself.

Abe: the man and politician

Shinzo Abe has created many firsts in Japanese politics. He is the youngest post-war prime minister, with one commentator referring to him as the 'prince' of Japanese politics.¹⁰ He is also the first to win the office twice as leader of the Liberal Democratic Party (LDP); initially in 2006 and then again in December 2012. Abe is also the first grandson of a former prime minister to be elected prime minister.¹¹ Political influence has also come from his father, Abe Shintaro, who was the longest serving post-war foreign minister and regarded as one of the 'political heavyweights' in Japanese politics.¹²

With these credentials, Abe entered politics as the private secretary to his father before his eventual election to the Diet in 1993.¹³ However, it took almost ten years before Abe came to political prominence, notably while accompanying then Prime Minister Koizumi to North Korea in 2002.¹⁴ Abe's advice was highly regarded by both Koizumi and the Japanese public, so much so that Koizumi appointed him Secretary General of the LDP. In 2005, Abe was promoted to Chief Cabinet Secretary, the number two job in government.¹⁵ His political pedigree and key appointments underpinned his choice as leader of the party and successor to Koizumi at the 2006 general elections.

Following Koizumi into office, Abe had the benefit of leadership at a time when there was significant goodwill and public support for the LDP.¹⁶ This contributed to Abe's high profile, complete with 'stratospheric like approval ratings'.¹⁷ At this time, Abe 'boldly declared his political ambition to revise the Constitution, including Article 9 ... and [outlined] a second objective ... to revise the 1947 Fundamental Law of Education, to enable patriotism to be acknowledged'.¹⁸ The reference to Article 9 related to Abe's intent to address the issue of collective self-defence and how the JSDF might be used more broadly than traditionally interpreted by Japan's post-war 'pacifist' constitution.

However, Abe's post-election success was short-lived, with public opinion and support within his own party quickly spiralling downwards. This 'weakened his leadership and, in the face of ongoing battles with opposition parties, he collapsed—politically and physically—before abruptly resigning' in September 2007.¹⁹

Abe's declared early ambition to revise the Constitution and the 1947 Fundamental Law of Education demonstrated his determination to chart a new course for Japan. This ambition has been reflected in literature in different ways, including one interpretation whereby Abe was described as 'a study in contradiction ... misperceived as an ultranationalist'.²⁰

This portrayal was tempered against his diplomatic focus, where he 'worked hard to repair frayed ties with China and South Korea, making concessions that his less nationalist predecessor had refused to make';²¹ a reference to Koizumi and his perceived lack of appetite to advance foreign and defence policies.²² There is some irony in this, as Koizumi had taken full advantage of Japan's situation and relationship with the US in the aftermath of the September 2001 attacks, particularly in 'identifying the elements that underpin long-term transformations in Japan's security policy formation and practice'.²³

While this foreign policy contrast between Abe and Koizumi occurred early in Abe's first tenure as Prime Minister, a comparison provides some insight into Abe's political thinking. The security and foreign policy areas, in particular, separated Abe from the Koizumi period, which contributed to creating Abe's reputation as a strong nationalist.²⁴ Essentially, Abe was focused on ensuring he was recognised as a strong leader, capable of creating policy with a significant reform agenda and pushing his agenda through the Diet.

Two key themes can be evidenced from Abe's experience with Koizumi. First, Abe took a strong stance alongside Koizumi's belief that 'Japan's increasingly urban and educated population needs and expects ongoing economic reform'.²⁵ Second, Abe and Koizumi both understood that they needed to adjust their relationship with the US, given the prevailing geopolitical and geostrategic conditions, 'by becoming a more active partner ... and that close ties with Washington are critical to dealing with the North Korea nuclear threat'.²⁶ Importantly, however, the two men differed in their political priorities. Koizumi was about 'political and economic reform', whereas Abe was 'emphasising foreign policy and conservative domestic social issues such as giving Japanese youth a more "patriotic" education'.²⁷

While Abe took the argument forward on these controversial policy issues, they were nested among a broader list of ideas he had for Japan. Abe's vision going into the 2006 election was broad and centred on four national goals underpinned by six policy agendas.²⁸ Abe wanted to create a Japan:

[That valued] culture, traditions, nature and history; a country of freedom and discipline; a country proceeding along the way towards new growth and welfare by promoting innovations; and an open country that is trusted, respected, and loved by the world and exerts leadership.²⁹

Abe's demise in 2007 indicates that his vision, based on these rather idealistic goals, did not resonate at the time with the Japanese public. Further, when these goals were mixed with Abe's policy initiatives 'to end the ban on collective self-defence and consolidate Japan's military alliance with the US and their influence within it',³⁰ the public revolted.³¹ History now records that Abe's fall from power was swift and that 'Abe contributed to his political demise by constructing a leadership strategy that failed to connect with public expectations'.³²

His return to office in 2012 provided an opportunity for Abe to demonstrate that he had learned from his demise and that he could distance himself from his earlier failure. Similar to Churchill's re-election in 1951, Abe was given a second opportunity to govern, the difference being Abe won in a 'landslide election victory'.³³ Contributing to this turnaround in party and public support was Abe's adoption of Koizumi's previous priority and focus on economic reform.

Abe's vision for Japan

By his own admission, Abe's political views were 'inspired by his grandfather's [Kishi] "fighting" spirit and devotion to the national interest', and by his own assessment that 'he had more than others of the same generation, an awareness of the nation and the state'.³⁴ One observation of Abe suggests that 'many of his hawkish and conservative views resemble Kishi's'.³⁵ Another questioned whether 'Abe [is] moving Japan toward Moderation or Nationalism'.³⁶ While Abe's strongly-held nationalistic views, centred on constitutional and historical revisionism,³⁷ were on display in his first term in government, more recent discussion on Japan's progress during his subsequent term in office provides better linkages to Abe's new vision for Japan.

Abe's vision for Japan linked prosperity and security, whereby economic success would underpin peace and security in the region. A central theme in the landslide victory of Abe and the LDP in 2012 was the idea that Japan would remain steadfast in dealing with China and rising tensions over the Senkaku Islands dispute.³⁸ This view was formed after Abe's first administration and the tough security stance he took when raising the issue of revising the Constitution and Article 9.³⁹

However, Abe was cautious in this election success, noting that 'this was not a restoration of confidence in the Liberal Democratic Party, but a rejection of three years of incompetent rule by the Democratic Party'.⁴⁰ The newly-elected Abe was quick to announce that the economy was his top priority and asserted that he would move swiftly to improve relations with China, Japan's largest trading partner.⁴¹ This announcement was followed by his 'I am back and so is Japan' speech of February 2013, whereby Abe confirmed his 'three arrows' approach to economic reform and prosperity.⁴²

Importantly, this shift in priority from security to the economy has provided an opportunity for Abe to argue his case for a change in Japan's strategic posture as he works to realise his proactive contribution to peace idea. In promoting economic reform, Abe wants Japan to deeply embrace and connect to the region, and more broadly the international community, ensuring a better life for all.⁴³

In his speech to the World Economic Forum in January 2014, Abe spoke of his successes and determination to reignite Japan's economy.⁴⁴ Of particular note was his vision for '[s]ecuring Asian Seas in [p]eace' where, 'trust, not tension is crucial for peace and prosperity ... achieved through dialogue and the rule of law and not through force or coercion'.⁴⁵

Right through this term in office, Abe has identified economic prosperity as the key ingredient to improving the standard of living for all Japanese people. His speech at the Shangri-La Dialogue in May 2014 emphasised his aim to link this standard of living to regional security.⁴⁶ While arguably Japan has been moving along this peace and prosperity trajectory since the end of World War 2, Abe is re-energising domestic efforts to change Japan's strategic posture.

This strategic posture change is evidenced through Abe's actions to reintroduce into the Diet a revised Bill that supports the raising of domestic legislation that guides interpretation of Article 9 of the Constitution and Japan's rights to collective self-defence.⁴⁷ Further, Abe has driven a separate body of work, commencing in 2012, to establish a more comprehensive security framework where issues such as collective self-defence would be nested.⁴⁸ A key institutional change has been to establish in November 2013 a National Security Council to serve as 'the control tower ... to implement national security policies in a more strategic and structured manner through a whole-government approach'.⁴⁹

Central to Abe's approach is strong political leadership within this comprehensive security framework, which better aligns Japan's policy approach to that of the US.⁵⁰ At the same time, however, a more active contribution to security through the National Security Council, the narrative in Abe's Shangri-La speech⁵¹ and his visit to the Yasukuni shrine⁵² are examples of how Abe himself draws reaction and, in some cases, condemnation from elements of the international community, namely China and the ROK, who continue to criticise Japan's broader security agenda and status within the region.

Abe's visit to the Yasukuni shrine in December 2013 certainly generated considerable controversy, proceeding despite strong recommendations from US authorities not to do so. In defence of his visit, Abe said he went 'to pray for the souls of those who had fought for the country and made ultimate

sacrifices. I have made a pledge never to wage war again, that we must build a world that is free from the sufferings of the devastation of war'.⁵³ Following the visit, the US embassy in Tokyo released a statement conveying that the US was 'disappointed and that Mr Abe's actions would exacerbate tensions with Japan's neighbours'.⁵⁴

This particular circumstance highlights US concerns over the tension that exists in the Japan-US-ROK trilateral arrangement and the difficulties faced by the US in ensuring improved bilateral relations between Japan and the ROK. China was equally forthright in its criticism. China's Ambassador to the UN, Liu Jieyi, strongly criticised Abe's visit, citing it as an attempt to 'destabilise regional peace and pose a serious challenge to the peaceful course of mankind'.⁵⁵

Several other actions by Abe, also appealing to nationalistic sentiments, have similarly drawn criticism from China and the ROK. However, elsewhere in the region, Japan has tended to be viewed in a more positive light. For example, in July 2013 when Abe visited Singapore, its Deputy Prime Minister lauded their 'warm and comprehensive relationship characterised by deep economic ties and wide-ranging cooperation in areas such as health, the environment and cultural exchanges'.⁵⁶ He went on to praise Abe for his personal interest in advancing the relationship on what was his third visit to Southeast Asia,⁵⁷ saying it was 'a clear reflection of the importance he places on building relations with our region'.⁵⁸

Although published prior to Abe's re-election, the results of a 2010 poll on the question of which countries were viewed more favourably provide another example that contrasts China's and the ROK's positions on Japan.⁵⁹ The results concluded that Japan was 'trusted to do the right thing' by the majority of countries surveyed, placing Japan just behind Germany in the number two ranking globally. Japan's ranking was particularly impressive given the negative responses that would have come from China and the ROK, who were survey participants. It also reinforces that while a combination of historical events and contemporary issues—such as visits to the Yasukuni shrine—resonate poorly with close neighbours, they have little or no impact on Japan's reputation globally.

This phenomenon bodes well for Abe's broader desire for Japan to become a more significant contributor to protecting the global commons. However, Abe's domestic and international message, underpinned by a comprehensive diplomatic effort, obviously needs to be carefully scripted and managed in order to avoid unintended consequences for Japan's relationships with both China and ROK. Further, Abe's message and management of these diplomatic challenges must be nuanced against the Japan-US alliance arrangements, and Abe's own personal interest in a deeper regional engagement strategy with ASEAN.

Since becoming Prime Minister in December 2012, there has been much written about Abe and his vision for Japan, particularly his 'bold and risky plan to revive the Japanese economy'.⁶⁰ Abe has contributed to the discourse through his own writing and attendance and speeches at a range of public engagements, such as the World Economic Forum and recently at the Shangri-La Dialogue. These opportunities have provided him with a global platform to convey and reinforce his key message of economic reform and vision of peace and prosperity for all.

If Abe is successful in reigniting the Japanese economy, he will have gone a long way to setting the preconditions to further Japan's strategic posture change, which in turn would have implications for Japan's relations with the US, China, the ROK and ASEAN, in particular. In the first instance, therefore, it is useful to consider the Japan-US relationship within the context of their alliance relationship, hailed by Secretary of State Hillary Clinton as 'the cornerstone of peace and stability in the region'.⁶¹

The Japan-US security alliance

This section of the paper will commence with an historical account of the key documents and major milestones in the development of the Japan-US alliance, in order to understand the language and context of US foreign policy.⁶² Included in this summary are the strategic drivers that have influenced the changing and evolving nature of the relationship. This will be followed by a short summary of the literature on alliances in order to establish the importance of the Japan-US alliance as it relates to security in the Asia-Pacific region.

Historical context of Japan-US relations

The US has been the single greatest determinant in Japan's strategic posture since World War 2 and a key partner in Japan's peace and prosperity. Described as 'the most important relationship in the world, bar none',⁶³ the relationship, as it relates to peace and security, is captured in Japan's White Paper, *Defense of Japan 2013*.⁶⁴ In its foreword, Japan's Minister of Defense, Itsunori Onodera, reinforces the importance of the contemporary Japan-US relationship, which he contends 'plays significant roles in ensuring the safety of Japan, as well as the stability of the Asia-Pacific region'.⁶⁵

The document does, however, contain some ambiguity in terminology. As an example, the White Paper includes the terms 'Japan-US Security Treaty', 'Japan-US Security Arrangements', 'Japan-US Alliance', 'Japan-US Defense Cooperation', 'Guidelines for US-Japan Defense Cooperation', 'Japan-US Joint Declaration on Security' and reference to 'bilateral action'.⁶⁶ On the one hand, this language is reflective of the enduring relationship between the two countries. But it is also indicative of the ambiguity and potential for confusion that exists.

At the core of the relationship are the Japan-US Security Treaty and Article 9 of Japan's Constitution. For many years, these documents have driven Japan's uniquely defensive strategic posture, detailing a peaceful orientation which is heavily reliant on the US to protect and defend Japan and Japan's national interests.⁶⁷ The unique relationship that exists between the two countries has been described as 'indispensable to maintain not only the peace and security of Japan, but also the entire Asia-Pacific region'.⁶⁸

By definition, Japan and the US have been formally connected in law since the mid-19th century through treaty arrangements⁶⁹ that aimed to secure US interests in the Western Pacific.⁷⁰ The first of these was signed in 1854, quickly followed by the second and more significant agreement in 1858, known as the Harris Treaty.⁷¹ The next significant point came when the Japanese leadership in the pre-World War 2 period was 'convinced that their alliance with Nazi Germany ... would deter the United States from opposing their expansion in the Far East'.⁷² This decision would ultimately bring Japan and the US together in the post-World War 2 era in a way that had a far greater impact on shaping their relationship and the regional security environment in the Asia-Pacific region than the previous treaties and Japan's alliance with Nazi Germany could have ever imagined.

A key contributing factor to Japan's role within this post-World War 2 security order was Japan's Constitution.⁷³ While there is ongoing debate among political historians on exactly how Japan's Constitution was crafted,⁷⁴ it is probable that the US Administration in occupation under General Douglas MacArthur played a significant role. The Constitution was passed through the Diet with only minor amendments and adopted by the Government of Japan. What is important to the discussion is the anti-war sentiment and detailed language contained in the Preamble and in Article 9, 'The Renunciation of War'.

Article 9, which was as much a political statement as it was a blueprint for Japan's 'passive pacifism' approach to defence, still frames debate about Japan's defence posture and its rights to collective self-defence today.⁷⁵ It states:

Aspiring sincerely to an international peace based on justice and order, the Japanese people forever renounce war as a sovereign right of the nation and the threat or use of force as means of settling international disputes ... land, sea, and air forces, as well as other war potential, will never be maintained. The right of belligerency of the state will not be recognized.⁷⁶

Since the 1854 and 1858 treaties were no longer relevant and Japan's Constitution restricted its strategic posture, a third treaty was signed in 1951, effectively cementing Japan-US relations. This third treaty was formally referred to as the 'former Japan-US Security Treaty' after it was amended and released

again in 1960 as the 'new Japan-US Security Treaty'.⁷⁷ Scholars have argued that the Japan-US Security Treaty of 1951 codified the regional security order in the post-war period⁷⁸ and, in doing so, 'has ensured the world's largest and most technologically advanced economies have deterred aggression and provided the bedrock of Asian security'.⁷⁹

By Japan adopting a passive pacifist approach to defence, Osius argues that 'the asymmetrical security arrangement in the post-war era weighed in favour of progressing US national interests', while Japan oscillated between 'fear of entrapment with fear of abandonment on the part of the junior partner'.⁸⁰ However, what John Dulles believed was 'that an equitable US-Japan alliance, with a generous economic dimension, was crucial to avoiding the resurgence of Japanese militarism'.⁸¹

Regardless of their respective interests, by 1960 the new Japan-US Security Treaty was nuanced in the context of the Cold War setting where the US embedded its foreign security policies in both the European and Asia-Pacific regions in a broader Soviet Union containment strategy.⁸² Importantly, both the former and new treaties stipulated US action in defence of Japan in the event of lethal attack against Japan. This US support took into account the constraint of a limited JSDF capability and Japan's narrow interpretation and self-imposed restrictions of Article 9.⁸³

Over time, however, the Article 9 restrictions on the JSDF have not explicitly constrained Japan's actions. As Hughes argues, the Constitution provides 'an array of self-imposed limitations that have served to buffer between Japan and demands placed upon Japan by third parties', in this case the US.⁸⁴ Kersten reinforces Hughes' argument citing the 'one percent ceiling on defence spending, the Three Non-Nuclear Principles and the ban on weapon exports' as evidence of Japan's self-imposed constraints.⁸⁵

The treaty arrangement served its purpose until the mid-1970s, when broader security cooperation discussions resulted in the 1978 '(former) Guidelines for US-Japan Defence Cooperation'.⁸⁶ This was a key milestone in the security relationship between the two countries as it acknowledged the limitations of the 1960 Treaty and the US withdrawal from Vietnam. The guidelines would again be modified and reissued in 1997, driven largely by the collapse of the Soviet Union and the realignment of US foreign policy under the Clinton Administration, which was adjusting to a post-Cold War era.

Not long after the new guidelines took effect and just nine months after President Clinton left office, there was a significant shift in the geostrategic and geopolitical circumstances when al Qaeda claimed responsibility for the September 2001 attacks on the World Trade Centre and Pentagon. This 'black

swan' moment brought the then Prime Minister of Japan, Junichiro Koizumi, and the US President, George W. Bush, together into a broader alliance framework nested within the context of the US-led global war on terror.⁸⁷

In terms of the chronology of milestones and formal agreements between the two countries, the Koizumi-Bush communiqué of February 2002 cemented the alliance firmly into their relationship lexicon,⁸⁸ although there were deeper issues for Koizumi to address. The circumstance that generated the Koizumi-Bush agreement provides another example of Japan's self-imposed interpretation of the Constitution. Koizumi shaped the circumstances where legal authority was granted for the JSDF to be employed in a broader role, far from Japanese shores.⁸⁹

In contrast to the definitive nature of the Koizumi-Bush statement, the Western scholarly literature has a tendency to use 'treaty' and 'alliance' interchangeably when describing the Japan-US security relationship. This serves to render the legal nature of the Japan-US treaty somewhat diluted while, at the same time, influencing the broader discourse on the nature of the relationship, and its strengths and weaknesses, as well as the alliance viability and challenges posed by Japan-US cooperation.

While the new treaty frames how Japan and the US intend to cooperate to prevent conflict, on questions like how and under what circumstances the US would respond if a threat did emerge,⁹⁰ the broader alliance discussion is less detailed. One conclusion might be that a less prescriptive alliance discourse leads to more interpretation of action, or even inaction, from either party, offering a way out if required. Another significant factor to be considered is the interpretation that drifts into the debate from regional neighbours, including China and the ROK, and the onlooking international community. The very nature and understanding of alliances in general could be another source of friction.

Overview of the alliance literature

There is some conjecture as to whether the body of knowledge on alliance theory actually provides reasoned motive behind alliance formation.⁹¹ There is, however, general acceptance in the literature that alliances have traditionally focused on a balance of power shift, a state's security needs, security against direct threats, and actual prosecution of conflict.⁹² Liska contends that there are potential second-order benefits to be had in alliance building, such as in the economic, political and trade domains.⁹³ The complex nature of alliances can be viewed in broad definitions that encompass:

[A] formal agreement between two or more actors—usually states—to collaborate together on perceived mutual security issues. By allying themselves together it is anticipated that security will be increased in one or all of the following dimensions: deterrence will be established or strengthened, ... [the] defence pact will operate in the event of war, ... [and] some or all of the actors will be precluded from joining other alliances.⁹⁴

In *The Origins of Alliances*, Walt narrows the lens to define alliance as 'a formal or informal relationship of security cooperation between two or more sovereign states'.⁹⁵ To argue his case, Walt points to the fact that 'states ally to balance against threats rather than against power alone'.⁹⁶ While there is an acknowledgement that distribution of power is a fundamental factor, he proffers that 'the threat level, which is affected by geographical proximity, offensive capabilities and perceived intentions', is also a critical consideration.⁹⁷ Walt asserts, therefore, that 'balance of threat theory [is] a better alternative than balance of power theory' in determining motive for an alliance.⁹⁸

Focusing on the threat component provides a contemporary context for the US-Japan alliance. This is particularly relevant when viewed in light of Japan's regional security environment, currently dominated by discussion on China's re-rise, the balance of power shift and the ongoing territorial disputes.⁹⁹ Further, a persistent and potentially nuclear-capable North Korea requires constant attention from both Japan and the US. From Japan's perspective, these two regional security dynamics require strong bilateral connections with the US to balance against these threats.¹⁰⁰

The US also stands to benefit from a resurgent and committed Japanese interest in the alliance. The US presence in the Asia-Pacific region is further legitimised as it attempts to deter and defend against North Korea provocation.¹⁰¹ In a 2011 article, then US National Security Advisor Tom Donilon contended that the US aims more broadly to 'ensure that international law and norms be respected, that commerce and freedom of navigation are not impeded, that emerging powers build trust with their neighbours and that disagreements are resolved peacefully and without threat'.¹⁰² Japan is also broadening its approach to countering balance of power shifts and to promote Abe's vision in this complex regional security environment through multilateral engagement with ASEAN.¹⁰³

Abe's expansive diplomatic agenda throughout ASEAN was aimed at strengthening Japan's economy while at the same time pursuing security options and policies to deal with regional security issues.¹⁰⁴ His visits to all ten ASEAN member states builds on Japan's embracement of multilateral engagement,¹⁰⁵ particularly with ASEAN, which itself was built on the mutual desire to avoid confrontation through peaceful cooperation and consensus¹⁰⁶—an exemplar of the way in which institutionalised, regionally-based practice can exert influence.¹⁰⁷

Japan has been actively involved in ASEAN's multilateral forums, notably the ASEAN Plus 3, ASEAN Regional Forum, East Asia Summit and ASEAN Defence Ministers Meeting-Plus, to address challenges within the regional security environment and arguably to offset and avoid Japan's significant and complete reliance on the Japan-US alliance. Having just celebrated its 40th

anniversary of friendship and cooperation with ASEAN, Japan is well positioned to play a significant supporting role of ASEAN initiatives, particularly ASEAN's recent work to establish a political and security community.

Nurturing relationships and regional security

This section will briefly examine the broad strategic drivers that are contributing to Japan's security environment within the framework of the Japan-US alliance. Three drivers in particular will be addressed; first, the unpredictable behaviour of North Korea and its progression towards a nuclear capability; second, China's ongoing rise and actions in the East China Sea as they impact the Sino-Japanese relationship; and third, the rise of non-traditional security threats to Japan. For Abe to effectively implement his proactive contribution to peace initiative, the challenges posed by these drivers need to be considered.

Strategic drivers of regional security

Under the Abe Government, Japan is no longer willing to rely on a defensive strategic posture to protect its national interests. The National Security Council's 2013 release of a National Security Strategy heralded a 'policy of "Proactive Contribution to Peace" based on the principle of international cooperation',¹⁰⁸ which was a concept also reflected in Japan's White Paper. The National Security Strategy and White Paper are underpinned by a contemporary view of Japan's security environment, highlighting the interconnected nature of the challenging security landscape playing out in the Asia-Pacific region. While the White Paper reflects Government policy, it remains that Abe and his leadership team are confronting a range of complex issues that are influencing Japan's actions towards regional peace and security.

In describing these concerns, the White Paper summarises the global security situation within the context of 'Japan's security environment [which] is encompassed by various issues and destabilising factors, some of which are becoming tangible, acute and serious'.¹⁰⁹ While these issues and destabilising factors are couched within the international and global community context, Japan's perception is that these concerns are generated by their close neighbours, specifically North Korea, China, and Russia.

In addition to the security challenges Japan has with North Korea, China and the ROK, Japan also has disputed territory claims with Russia.¹¹⁰ The key difference with the Russian dispute is that, over time, Japanese leaders and diplomats have been able to pursue resolution through diplomatic channels because of Japan's need for Russia's natural resources. Further complicating Japan's security environment is the global pervasiveness and the difficulties of dealing with non-traditional and emerging threats, such as those in the cyberspace domain.

The Japanese Government recognises that the growing disorder and challenge posed by such a complex set of security issues, where geographical boundaries are no longer as relevant, creates a need to work collaboratively with like-minded partners to resolve issues.¹¹¹ At the centre of Japan's approach to dealing with these security issues is the Japan-US alliance, which is not only viewed as playing a significant role in ensuring the safety of Japan but also in creating the conditions for stability within the Asia-Pacific region.¹¹²

Richard Armitage and Joseph Nye also view the US-Japan alliance as 'anchoring stability in Asia' arguing for 'a stronger and more equal alliance ... to adequately address these and other great issues'.¹¹³ In this context, the issues they highlight also include 'the re-rise of China and its attendant uncertainties, North Korea with its nuclear capabilities and hostile intentions, and the promise of Asia's [economic] dynamism'.¹¹⁴ These issues exist in addition to the many challenges posed by the interconnected nature of a globalised world and an increasingly complex security environment.¹¹⁵ Armitage's and Nye's global view poses a number of challenges for Japan and serves to reinforce their argument that a more balanced Japan-US alliance is a critical factor in generating a security environment that advances Japan's domestic, regional and international objectives.¹¹⁶

Japan and North Korea

The threat and destabilising influence of North Korea challenges many nation states but its impact on Japan, the ROK, China and the US is significant. While this draws the ROK and the US close to Japan over the Korean Peninsula, ongoing contested territorial claims over the Dokdo/Takeshima Islands¹¹⁷ and the 'comfort women'¹¹⁸ issue has driven a wedge between Japan and the ROK in recent times.

As the Japan-ROK relationship is checked, China and the US would observe that North Korea continues to advance its ballistic missile program with technology capable of not only threatening Japan and the ROK but also destabilising the entire Asia-Pacific region. As discussions on Japan's right to collective self-defence continue, Japan looks towards the US alliance for deterrence and protection, particularly as the real possibility develops of North Korea combining its ballistic missile capability with the aggressive pursuit of nuclear technology. The threat becomes more problematic for Japan, as the behaviour of North Korea's leadership under President Kim Jong-un remains unpredictable.

More broadly, Japan's concern with North Korea was highlighted in a 2007 article by Arpita Mathur which not only raised the key issues for Japan but the enduring nature of them.¹¹⁹ In the article, Mathur opines that 'Japan's quandary vis-à-vis Pyongyang has centred on its defiant nuclear and missile

development program, the abduction of Japanese citizens ... as well as frequent spy boat incursions in Japanese territorial waters'.¹²⁰ Japan along with other countries, including the US and the ROK, are concerned that:

[North Korea] has made clear that its goals are the permanent possession of nuclear weapons, the development of warheads and missiles capable of delivering those weapons to both near and distant targets, and gaining acceptance, if not recognition, of itself as a nuclear-weapon state.¹²¹

These issues are exacerbated by the geographical proximity of the two states, with Tokyo just over 1200 kilometres from Pyongyang and well inside the ballistic missile threat range. Again, when reviewing the alliance theory from Walt, 'the threat level, which is affected by geographical proximity, offensive capabilities and perceived intentions' suggests that the Japan-US alliance is a critical component in balancing against the threat posed by North Korea.¹²²

Japan's White Paper focuses on this threat but further discriminates between the development and deployment aspects of the missile technology, as well as the transfer of this technology and its proliferation.¹²³ In the short-term, there is a degree of uncertainty as to the exact capability North Korea has developed and, therefore, the threat posed by any nuclear-armed ballistic missiles.

On this issue, time may not be a friend of either Japan or the US, with some unconfirmed intelligence reporting from the US suggesting 'North Korea may already have the capability to deliver nuclear weapons via ballistic missiles'.¹²⁴ Whatever time Japan has available will be consumed quickly as contingency plans to deal with this multi-faceted threat and complex array of circumstances involving many other nations are developed and coordinated through the National Security Council with Abe at the helm.

As Abe leads these discussions internally, he will most likely continue broader diplomatic endeavours, particularly within the context of the Japan-US alliance, in order to garner international support to curtail North Korea's actions and intentions. This is not solely aimed at the nuclear and ballistic missile threat. The White Paper provides an insight to the National Security Council's broader thinking in regards to North Korea's posture and the key issues for Abe's consideration. Of particular concern is the rhetoric from Kim Jong-un, who controls the military, including the funding lines for the acquisition of technology to modernise and equip the force with an emphasis on asymmetrical capabilities.¹²⁵

There is also some irony in North Korea's pursuit of adopting 'military-first politics'¹²⁶ to achieve a strong socialist state, as it is suggested by one Japanese commentator that 'this kind of brinkmanship from North Korea is going to drive public opinion to be more supporting of a closer alliance with

the US'.¹²⁷ Japan's decision on how best to strategically posture itself in order to address the nuclear and ballistic missile threat and, consequently, the role that the JSDF plays will be of interest to those countries watching these complex circumstances in North Korea unfold.

In 2006, following North Korea's missile tests, there was talk emanating from Tokyo of 'pre-emptive strike' and the 'use of force' against the missile threat.¹²⁸ This sparked an immediate response from the ROK, including the reminder that 'Japanese past justifications for invading Korea, which was to protect Japanese citizens ... put regional peace and stability at risk'.¹²⁹ Abe's management of the messaging around the use of the JSDF will be important, as Japan's rights to collective self-defence will more than likely be questioned again by the international community, particularly China and the ROK.

Japan and China

The Chinese and Japanese have lived as Asian neighbours for nearly two thousand years. Being geographically so close and psychologically quite remote, despite their common cultural roots, the two peoples have developed a sense at once of commonality and disparity, interdependence and autonomy, mutual respect and suspicion, attraction and repulsion, and admiration and condescension toward one another.¹³⁰

The complexities and nuances of the Sino-Japanese relationship have played out for many years, providing scholars with significant material to theorise about the nature and 'the patterns of their association [which] have been among the most enduring features of the history of East Asia'.¹³¹ China and Japan have been described as 'the two great powers of East Asia, who are both rivals and partners ... and will have to find ways to coexist in the East Asian region'.¹³²

The Chinese cultural history and teachings of *yin* and *yang* provide a useful metaphor and another perspective of how the Sino-Japanese security relationship might remain in balance and checked before conflict conditions are set.¹³³ In this example, *yin* and *yang* is considered a holistic, dynamic and dialectical world view or as Li contends, comprises 'three tenets' of duality:

The tenet of 'holistic duality' posits that a phenomenon or entity cannot be complete unless it has two opposite elements.... The tenet of 'dynamic duality' posits that opposite elements will mutually transform into each other in a process of balancing under various conditions.... The tenet of 'dialectical duality' posits that the holistic and dynamic tenets can stand because two contrary (relatively contradictory) yet interdependent (relatively compatible) elements exist as opposites in unity to mutually affirm (for consistency and equilibrium) and mutually negate (for completeness and punctuated shift).... The dialectical tenet is the most salient as the anchor for the other two tenets of duality.¹³⁴

Extrapolating the key cultural theme, *yin* and *yang* are a representation of a dualism: two opposite principles in nature but in balance; *yin* (feminine) or the negative nature of things and *yang* (masculine) the positive side; often characterised as good (*yin*) and bad (*yang*). This balance or equilibrium is not considered to remain static but rather the essence of the nature of this balance lies in the 'interchange and interplay of the two components'.¹³⁵

In this metaphoric example of the Sino-Japanese interplay, the two forces are held in equilibrium through a range of complex circumstances and interactions, such as their political systems, the interconnected nature of their history and their economies. It is considered that both China and Japan perceive themselves to be the *yin* and want the other country to be the *yang*; in some way, representation of good and bad or even right and wrong.

In his most recent book, *Sino-Japanese Relations After the Cold War*, Michael Yahuda asserts that 'the vast scale of the economic relationship between China and Japan ensures that it will greatly influence the evolution of relations between the two countries', further evidence of the deep connectedness in the relationship.¹³⁶ While the Sino-Japanese interplay is set to continue, both parties look to strengthen their position, within a language style that promotes peace and security, assessed by a watchful international community.

As Japan continues to develop a narrative on what security, peace and prosperity in the Asia-Pacific looks like, it does so with a keen interest on China's rise and strategic posture. China figures prominently in Japan's National Security Strategy and White Paper with two key themes emerging. First, there is an expectation that China will abide by and respect international norms and rules. Second, as China assumes global power status commensurate with its economic weight, there is another expectation that China takes on a more 'active and cooperative role' in addressing regional and global challenges.¹³⁷

Along with a number of other regional neighbours, Japan harbours suspicion over China's willingness to meet these expectations. From Japan's perspective, China's approach to dealing with disputed sovereignty claims in both the South China and East China Seas are two examples that highlight how divergent their perspectives and interests can be. From China's viewpoint, and in contrast to Japan, China is seeking to continue to modernise and grow its economy, and improve the standard of living for its people, depending heavily on regional and global stability to achieve these aims.¹³⁸

As Abe leads Japan's strategy to address complex security challenges, so too does China's President Xi Jinping set China's agenda. Xi was recently quoted as stressing that 'China is preparing to cope with complexities, [and] enhance the nation's capacity in safeguarding maritime rights and interests'.¹³⁹ He went on to promote 'the building of its [China's] maritime power through mutually

beneficial cooperation with other countries', stating that 'China will use non-violent means and negotiations to settle disputes and strive to safeguard peace and stability'.¹⁴⁰

At the same time as Xi navigates China's path through these disputes, he will preside over China's continued economic rise and the challenges this presents to China. This includes China's continued commitment to market reform and developing 'specific policy proposals and adjustments to help rebalance the global economy',¹⁴¹ as China is heavily dependent on and influenced by global trade and the interconnectedness of world markets.

Importantly, Abe recognises the need for Japan to be invested in China's economic growth. In 2007, during Abe's first term in office, he raised this issue with the Chinese on his very first diplomatic visit abroad as Prime Minister when he said that 'Japan and China enjoy an inseparable relationship, especially in terms of economic ties'.¹⁴² More recently, Abe emphasised 'the importance of China as an economic partner and the need to restore the Japan-China mutually beneficial strategic partnership,' referring to an announcement made in his 2007 visit.¹⁴³

In the meantime, the Sino-Japanese relationship is continually tested by ongoing sovereignty disputes over the Senkaku Islands. The potential for conflict in the East China Sea remains as China continues to invest in a more capable maritime capability and presses hard on the dispute. Earlier this year, Chinese Foreign Minister Wang Yi described current Sino-Japanese relations 'as very bad right now; it is at a low point', referring to a range of matters including the content of Prime Minister Abe's speech at the 2014 World Economic Forum.¹⁴⁴

While Abe remains steadfast in promoting his vision for 'securing Asian seas in peace', their actions over the Senkaku Islands suggest the two parties are at a diplomatic impasse. From Japan's perspective, this includes China's establishment of an air defence identification zone in the East China Sea and constant maritime encroachments, both military and civil, into Japanese territorial waters.¹⁴⁵ From China's perspective, its actions are a reaction to Japan's. Somewhat incongruously, Sino-Japanese trade interests continue to advance while diplomatic relations between the two remain strained, and nationalistic rhetoric continues to fuel their respective agendas.

While it is likely that the circumstances shaping Sino-Japanese relations will remain extant for some period, both Japan and China will search for peace and security, as both Abe and Xi have announced. This search will be supported and underpinned by the US, with the Japan-US alliance growing in importance in the near term. The US commitment to strengthen the Japan-US relationship was reiterated as recently as President Obama's visit to Japan in April 2014,¹⁴⁶ echoing Abe's desire for closer cooperation with the US.

This alliance could provide for China too, as the US presence continues to facilitate regional security at the same time it moderates Japan's strategic posture to one that is more tolerable to President Xi and China's ruling elite. As this Japan-China-US trilateral dynamic unfolds, it should be held in tension, thereby avoiding unwarranted and unnecessary escalation of any issue. Ultimately, Japan and China, as two powers of the Asia-Pacific region, will need to learn how to coexist in cooperation and competition.

Non-traditional security threats

I believe that one day, America and the other nations clustered along the shores of the Pacific will be neighbours along a lake, a closely interwoven community sharing common interests and common goals.¹⁴⁷

The more traditional security challenges presented by countries such as North Korea and China are now nuanced against pervasive threats in the global commons, such as those in the maritime, space and cyberspace domains, with the persistent threat of terrorism and transnational crime completing the mix. A key characteristic of these pervasive threats is the absence of defined boundaries, which challenges many nations, including Japan, to think about security in a different way.

In such a security environment, communities are interwoven and interconnected in different ways and at many levels. The identification of threats and activities aimed at an opponent becomes problematic and, therefore, mustering an appropriate response is difficult. Part of the solution to deal with such complexity is found in Japan's National Security Council and the Council's remit to address the range and types of emerging threats through the guidelines articulated in the National Security Strategy. It states that:

[W]hen implementing policies in other areas, the Government of Japan will give due consideration to national security so that Japan can utilize its strengths, such as its diplomatic ability and defence capability, in a smooth and fully-functional way as a whole, based on the Strategy.¹⁴⁸

Abe's leadership in this area is an example of his commitment to the Council's authority and to the Japan-US alliance in addressing regional security challenges. Regardless of Abe's motivation behind establishing the Council, the benefits are evident with the National Security Strategy acting as a catalyst for a growing number of companion policies, including Japan's 2013 Defence White Paper. This response to the myriad of emerging security challenges confronting Japan is positive.

Of these emerging threats, cyber is looming as a significant issue for Japan, as it for the international community. As contended by Putra and Punzalan, 'the cyber-attacks on the ROK and the United States, as well as those on Georgia in 2008 and Estonia in 2007, have awakened a certain consciousness in the minds

of the international community, particularly the security community'.¹⁴⁹ The securitisation of cyberspace and the challenges it presents has the potential to threaten Abe's desire for peace and prosperity in Asia and his orchestration of Japan's strategic posturing to provide a proactive contribution to peace.

Abe's top-down structured approach creates an opportunity for Japan to mobilise and apply the nation's resources in a more coordinated fashion, a key requirement for tackling cyber security issues. Further, the National Security Strategy also treats cyberspace as a capability in its own right, with recognition that Japan's need for information use and exchange provides the bedrock for social connection, economic growth and innovation, as well as military activities.¹⁵⁰ Addressing security challenges such as those posed by cyberspace in a comprehensive and diplomatically sensitive manner also illustrates to international observers how far Japan has come from its pre-World War 2 past. This broader view of security also conforms to the deeper and broader Japan-US alliance objective outlined in the White Paper.

The alliance objective has at its core three pillars: security, economy, and cultural and people-to-people exchanges. While there is direct correlation in the 'three pillars' definition to addressing traditional security threats posed by the likes of North Korea and China, attention is also given to 'increasing cooperation with respect to the protection of and access to space and cyberspace'.¹⁵¹ Armitage and Nye have also identified cyber security as requiring 'greater clarification of the US' and Japan's roles and standards'.¹⁵²

The increased awareness in cyber activity, including cyber attack, has been driven by the proliferation of cyber-dependent systems that connect social, economic, military and other networks. This information dependency has created vulnerabilities in the military environment where cooperation is almost completely reliant on 'credible and capable information assurance measures'.¹⁵³

Underpinning the security pillar and supporting efforts in the cyber domain is the Japan-US agreement to expand activities for advancing joint intelligence, surveillance and reconnaissance efforts. Like non-traditional threats, the conduct of intelligence, surveillance and reconnaissance activities are not necessarily bounded by geographical restrictions. Further, there remains some conjecture over international rules, regulations standards and norms governing the conduct and output of these activities when employed against non-traditional and pervasive threats in the global commons. This is particularly relevant when addressing threats in cyberspace.

As Japan continues to rely on the electronic exchange of information across communication networks, it will face an array of challenges and increasing threat levels against individuals, groups, institutions and infrastructure, which

includes government and military forces.¹⁵⁴ One approach to defining the cyber threat broadly categorises the activities into hacking, cyber-crime, cyber-warfare and cyber-espionage, which assists to frame a whole-of-government response and to delineate responsibilities to counter and interdict the threat.¹⁵⁵

This is not an easy fix, as the internet security company McAfee points out in its 2008 report, *Cybercrime versus Cyberlaw*.¹⁵⁶ The report highlighted that although governments have not prioritised cyber-crime high enough, there is a lack of transnational law agencies to undertake the necessary cross-border cooperation to deal with the perpetrators, and those national agencies that do exist are not equipped or trained to cope with the increase in cyber-crimes being committed.¹⁵⁷

Japan's defence contribution to the cyberspace threat is recognised and covered in the White Paper and flagged as a risk to the global commons in the National Security Strategy. To highlight the complexity presented to Japan by the cyber threat, a summary of the key characteristics of cyber attack is presented. These characteristics include diversity of attack, the inability to detect attack, the inherent vulnerability of the software to attack, and the difficulty to deter against attack.¹⁵⁸ Adding to the complexity, the challenge to identify the source of the threat, particularly when indirectly sponsored by a state actor, makes any change to Japan's strategic posture difficult to achieve.

Japan's effort to better guard against a range of non-traditional threats reinforces the importance of the Japan-US alliance. What is new for the alliance, however, is how to best approach non-traditional threats, particularly in the cyberspace domain, given the technology, characteristics and pervasiveness of this threat to both military and non-military targets. Just as the shores of the Pacific connect neighbours and bring communities together, so too does the internet and cyber domain establish connections and communities that increase information flows to create economic wealth and prosperity.

At the same time as these connections expand, each one creates a vulnerability and risk to the information owner, be it an individual, a group (such as a government or military), a network or a system. Given this vulnerability and the characteristics of the threat, any action to mitigate the risk will be extremely complicated.

Conclusion

This paper has explored Prime Minister Abe's new international agenda and how it is changing Japan's strategic posture. Since the end of World War 2, Japan's posture has been characterised as defensive and passive but Abe's vision is positioning Japan to proactively contribute to peace and security in the Asia-Pacific region.

The central argument underpinning this change to Japan's strategic posture focused on Abe as the primary driver. Abe has developed his vision for Japan over two terms as Prime Minister and, after his early failure in 2006-07, it is apparent that he remains motivated to chart a new course for Japan. This new course was outlined during the 2012 election campaign, with the Japanese economy Abe's priority, which he views as essential to peace and prosperity. On his re-election in 2012, Abe remained cautious about his mandate, given the public discontent with the Democratic Party rule rather than an endorsement of the LDP.

However, Abe was well positioned to argue his case for a change in Japan's strategic posture following a comprehensive economic reform agenda that was broadly applauded. Already, Abe has been able to establish a National Security Council and promulgate a National Security Strategy, which is a capstone document to address Japan's security requirements. A comprehensive Defence White Paper has also been developed. Running in parallel, Abe's vision for peace and prosperity remains a worthy ideal, and a source of motivation for Abe. Together with the LDP, he continues to progress this vision for Japan.

The work to rejuvenate Japan has commenced and Abe is attempting to reignite the Japanese economy through his 'three arrows' approach to economic reform and prosperity. This critical internal reflection and analysis of Japan's situation could be viewed as a positive example of Abe's leadership credibility, genuinely wanting to drive change and reform personally. A contrasting view might vindicate some scholars who conclude that Abe is attempting to legitimise his position as a nationalist reformer, shaping Japanese public opinion in his favour in order to garner support to push his revision of the Constitution through the Diet.

The former will resonate positively, both domestically and internationally, but is in part dependent on Abe delivering economic success. The latter has the potential to be divisive, requiring Abe's deft touch to ensure Japan is not isolated from the international community.

In the meantime, Abe's attendance as the key note speaker at numerous international forums and events since his re-election demonstrates his own leadership commitment towards his vision. Moreover, his determined approach internationally develops and instils confidence domestically. This confidence may turn out to be a key factor in turning around the Japanese labour force, which has been on a steady decline, complicated further by Japan's ageing population.

These weakening domestic market trends will take time to adjust to reform initiatives before any expected economic advantage truly stimulates growth. As this unfolds, Abe is progressing important discussions on the role and tasks of the JSDF and its potential support to his proactive contribution to peace initiative.

Implementing this vision, however, has implications for the Japan-US alliance and Japan's relationships within the Asia-Pacific region. While Abe's approach is receiving broad support from the US and ASEAN, in particular, others—notably China, the ROK and North Korea—continue to be vocal in condemning any change in Japan's strategic posture or desire to undertake broader security roles in the region.

Further, through the National Security Strategy, Abe continues to frame a case to posture Japan to contribute more and fulfil a greater role in providing peace and security options to the international community. This includes investigating options for the JSDF to be employed through new interpretations of Article 9 and self-imposed restrictions. Any decision to employ the JSDF in anything other than a defensive way will have an impact on both the domestic and international discourse on Japan's lawful right to undertake collective self-defence.

The diplomatic messaging behind Abe's approach will require Japan's constant attention as it nurtures key relations, particularly with regards to the US, China, the ROK and ASEAN. The evidence suggests that Abe is willing to have this discussion even if he risks sparking anti-Japanese sentiment at home and abroad.

As this debate unfolds, Abe is also re-energising discussion on Japan's role within the broader context of the US alliance, as both Japan and the US confront a series of complex geopolitical and geostrategic challenges. Japan and the US have developed close ties since the end of World War 2, with the alliance generally accepted as providing a stabilising influence on regional security.

The alliance has evolved from the treaties of 1951 and 1960, and the broader relationship guidelines that steered the partnership through the Vietnam War, the demise of the Cold War and the current global war on terror. Other global events have also tested the partnership. However, it remains a fundamental component of the security environment in the Asia-Pacific region.

The apparent flexibility in this arrangement has allowed both the US and Japan to adjust their relationship to meet the changing geopolitical and geostrategic circumstances of the time. Therefore, Japan's ongoing alliance arrangement with the US is critical in order to deal with a range of complex relationships and threats that are set to challenge Japan's interests.

There is broad agreement that the threat posed by an unpredictable and potentially nuclear-armed North Korea is a destabilising factor in the region that is set to continue. While there is some thought of Japan amending Article 9 to address some scenarios that could develop through a breakdown in relations with North Korea, Japan will still rely on the US for nuclear deterrence and to counter the ballistic missile threat. Japan is also challenged by China's re-emergence as a significant power within the region.

In many ways, how Japan decides to manage this relationship, as well as their shared history and ongoing territorial disputes, will go a long way to determining stability in the region. While not considered to be on the same threat scale as China, Japan's relationship with the ROK is also viewed as a key indicator of the security environment. These key relationships create two important trilateral dynamics; Japan-China-US and Japan-ROK-US, with the Japan-US alliance central to both.

The US will continue to play an important moderating influence in the trilateral relationships as Japan seeks to undertake more responsibility within the alliance framework. As these trilateral arrangements are likely to remain in tension, Japan continues to pursue a multilateral agenda particularly through a broad engagement strategy with ASEAN. This is a positive indication of Japan's ongoing willingness to remain supportive of and working with a range of nations to address the many challenging circumstances that exist in the Asia-Pacific region.

Abe's ability to manage these important relationships with ASEAN, the US, China and the ROK will provide some indication of just how peace and prosperity is tracking. Importantly, it will also impact Japan's approach to addressing the emergence of non-traditional threats, including those in cyberspace, particularly as the potential damage to Japan's social, economic and cultural wellbeing from malicious cyber activity is real. Like most countries faced with threats from cyberspace, Japan will look closely to the US alliance to assist in mitigating exposure to the risks.

With a political pedigree unrivalled in Japanese politics, Prime Minister Abe has an immense opportunity to deliver on the reform initiatives Japan needs to secure the peace and prosperity he wants for the nation. Abe's personal involvement in establishing the framework for the Government of Japan to

address the many demanding and complex security matters that exist in the Asia-Pacific region has been significant. While Abe's success or failure as a leader will be critically reviewed in hindsight, he is confronting a series of complex geopolitical and geostrategic with a sense of vision on which he is prepared to act.

Notes

- 1 Jamie Frater (ed.), 'Top 25 Quotes of Winston Churchill', available at <<http://listverse.com/2007/11/22/top-25-winston-churchill-quotes/>> accessed 30 June 2014.
- 2 Shinzo Abe, 'Peace and Prosperity in Asia, for Evermore', Shangri-La Dialogue Keynote Address, Singapore, 30 May 2014, available at <<https://www.iiss.org/en/events/shangri-la-dialogue/archive/2014-c20c/opening-remarks-and-keynote-address-b0b2/keynote-address-shinzo-abe-a787>> accessed 17 June 2014. For the purposes of the paper, Prime Minister Shinzo Abe will be referred to as Abe, unless it is necessary to distinguish his public service, in which case his full name will be used.
- 3 Abe, 'Peace and Prosperity in Asia, for Evermore'.
- 4 Abe, 'Peace and Prosperity in Asia, for Evermore'.
- 5 Shinzo Abe, 'Japan and ASEAN, Always in Tandem: towards a more advantageous win-win relationship through my "three arrows"', 33rd Singapore Lecture, Institute of Southeast Asian Studies: Singapore, 26 July 2013, p. 6, available at <http://www.mofa.go.jp/mofaj/press/enzetsu/25/pdfs/pm_ja_130726_en.pdf> accessed 17 November 2014.
- 6 The issue of collective self-defence will be expanded on throughout the paper in the context of the revision of Article 9 of the Japanese Constitution.
- 7 For the purposes of this paper, the Asia-Pacific region is that depicted in Figure 1, less the 'Stan' countries, located to the west of China and commonly referred to as Central Asia. The US is also relevant to the Asia-Pacific region, although it is not displayed. Where a geographic area requires more definition, a specific reference is provided but will be anchored in relation to Figure 1, such as Northeast Asia, referring specifically to Japan, China and both North and South Korea.
- 8 Sourced from <http://www.google.com.au/imgres?imgrefurl=http%3A%2F%2Fafe.easia.columbia.edu%2Fgeography%2Felement_b%2Feb5.html&fbid=FsrZlf5sdHBE9M:&docid=Q9NdChFegtOMVM&h=1238&w=1014> accessed 2 July 2014.
- 9 For the purposes of this paper, the ASEAN region is defined by those ASEAN member states and their sovereign territory, which includes maritime sovereign territory as recognised and defined by the 1982 UN Convention on the Law of the Sea (UNCLOS).
- 10 H.D.P. Envall, 'Abe's Fall: leadership and expectations in Japanese politics', *Asian Journal of Political Science*, Vol. 19, No. 2, August 2011, p. 149, citing T. Saitō, 'A Bulletin of Tomorrow's Presidential Election: reconsidering Abe's historical awareness', *Sankei Shimbun*, 7 September 2006.
- 11 Abe's maternal grandfather was Kishi Nobusuke, who held office from 1957 to 1960. Kishi was arrested on suspicion of being a war criminal during his service as Japan's commerce and industry minister during World War 2.
- 12 Bert Edström, 'The Success of a Successor: Abe Shinzo and Japan's Foreign Policy', *Central Asia-Caucasus Institute and Silk Road Studies Program*, Joint Transatlantic Research and Policy Center, Johns Hopkins University and Uppsala University, Washington DC/Sweden, 2007, p. 8.
- 13 The Diet is the official name for the Government of Japan. It is made up of both the House of Representatives (Lower House) and the House of Councillors (The Senate).

- 14 During Prime Minister Koizumi's visit to Pyongyang in September 2002, it was confirmed that North Korea had indeed abducted a number of Japanese citizens (the exact number is still of some debate). Abe seized on this opportunity to strongly advise Koizumi not to enter into the planned Japan-DPRK Pyongyang Declaration.
- 15 Edström, 'The Success of a Successor', p. 8.
- 16 Envall, 'Abe's Fall', p. 151.
- 17 Envall, 'Abe's Fall', p. 151.
- 18 Rikki Kersten, 'The Koizumi-Abe Revolution in Japanese Security Policy: normative transformation and democratic maturity', in William Tow and Rikki Kersten (eds.), *Bilateral Perspectives on Regional Security: Australia, Japan and the Asia-Pacific*, Palgrave Macmillan: Basingstoke, 2012, p. 34.
- 19 Envall, 'Abe's Fall', p. 151.
- 20 Richard Katz and Peter Ennis, 'How Able is Abe', *Foreign Affairs*, Vol. 86, No. 2, March/April 2007, pp. 75-91.
- 21 Katz and Ennis, 'How Able is Abe', pp. 75-91.
- 22 Edström, 'The Success of a Successor', p. 9.
- 23 Kersten, 'The Koizumi-Abe Revolution in Japanese Security Policy', p. 29.
- 24 See Kersten, 'The Koizumi-Abe Revolution in Japanese Security Policy', p. 34, citing C.W. Hughes, 'Why Japan Could Revise its Constitution and What it Would Mean for Japanese Security Policy', *Orbis*, Vol. 50, No. 4, 2006, pp. 725-44.
- 25 Katz and Ennis, 'How Able is Abe', p. 76.
- 26 Katz and Ennis, 'How Able is Abe', p. 76.
- 27 Katz and Ennis, 'How Able is Abe', p. 76.
- 28 Edström, 'The Success of a Successor', pp. 8-9.
- 29 Edström, 'The Success of a Successor', pp. 8-9, and see also, 'The Advent of the Abe Administration', Fujitsu Research Institute, 27 September 2006, available at, <<http://jp.fujitsu.com/group/fri/en/column/message/200609/2006-09-27.html>> accessed 30 June 2014.
- 30 William Choong, 'Japan's New Politics', *Survival: Global Politics and Strategy*, June-July 2013, p. 48.
- 31 See the argument in Envall, 'Abe's Fall', pp. 152-5, suggesting that Abe's first period in office and his ineffectiveness in the top job was in the context of his leadership ability within the expectations of Japanese politics.
- 32 Envall, 'Abe's Fall', p. 165.
- 33 Choong, 'Japan's New Politics', pp. 47-54.
- 34 Envall, 'Abe's Fall', p. 150, citing Shinzo Abe, *Towards a Beautiful Country*, Bungei Shunju: Tokyo, 2006.
- 35 Choong, 'Japan's New Politics', p. 48.
- 36 Mike M. Mochizuki and Samuel Parkinson Porter, 'Japan under Abe: toward moderation or nationalism?', *The Washington Quarterly*, Vol. 36, No. 4, Fall 2013, p. 25.

- 37 Mochizuki and Porter, 'Japan under Abe', p. 26.
- 38 The Chinese name for these disputed Islands is Diaoyu Dao. For the purposes of this paper, they will be referred to by their Japanese name as either the Senkaku Islands or the Senkakus, unless directly quoting from sources that refer to them as Diaoyu.
- 39 Kersten, 'The Koizumi-Abe Revolution in Japanese Security Policy', p. 34.
- 40 Martin Fackler, 'Japan Election Returns Power to Old Guard', *The New York Times*, 16 December 2012, available at <<http://www.nytimes.com/2012/12/17/world/asia/conservative-liberal-democratic-party-nearing-a-return-to-power-in-japan.html?mabReward=relbias:w&r=0&adxnnl=1&module=Search&pagewanted=all&adxnnlx=1405767634-v2GeawXmJGQukYPdQrdSqQ>> accessed 22 June 2014. See also, Reiji Yoshida, 'LDP aware voters just punished DPJ', *Japan Times*, 17 December 2012, available at <<http://www.japantimes.co.jp/news/2012/12/17/national/ldp-aware-voters-just-punished-dpj/#.U7vLMfyKDIU>> accessed 22 June 2014.
- 41 Fackler, 'Japan Election Returns Power to Old Guard', citing Abe's speech after winning the election.
- 42 Shinzo Abe, 'I am Back', Address to the Center for Strategic and International Studies, Washington DC, 22 February 2013, available at <http://www.mofa.go.jp/announce/pm/abe/us_20130222en.html> accessed 22 June 2014.
- 43 Abe, 'Peace and Prosperity in Asia, for Evermore'.
- 44 Shinzo Abe, 'A New Vision from a New Japan', Address by the Prime Minister of Japan, World Economic Forum 2014 Annual Meeting, Davos, Switzerland, 22 January 2014, available at <www.kantei.go.jp/foreign/96_abe/statement/201401/22speech_e.html> accessed 16 February 2014.
- 45 Abe, 'A New Vision from a New Japan'.
- 46 Abe, 'Peace and Prosperity in Asia, for Evermore'.
- 47 Ministry of Defense, *Defense of Japan 2013*, Ministry of Defense: Tokyo, p. 105.
- 48 Ministry of Defense, *Defense of Japan 2013*, pp. 105-6.
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Cyber Security: Time for an integrated whole-of-nation approach in Australia

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Abstract

While terrorism and specifically the Islamic State are dominating the national security agenda at the moment, this paper contends that cyber security is still an important issue for the Australian Government. The issue can be articulated both in terms of the economic costs and personal impacts that cyber threats have on businesses and individuals in Australia, as well as the potential impacts, given current reliance on online social and financial interactions, should Australians lose confidence in the security of online interactions because of cyber threats.

The paper acknowledges that it is impossible for the Australian Government to directly provide cyber security capabilities for the entire business and civilian population. However, it asserts that the direct costs, the potential future impact, and the second-order effects of cyber threats require the Australian Government to play a significant role in promoting cyber security in Australia. It argues that the Australian Government should focus less on enhancing its own operational capabilities and more on supporting broader national activities, and identifies five key areas that should be addressed in a new Australian Government cyber security strategy.

Introduction

The digital age is central to Australia's national security and economic prosperity. From terrorism to organised crime to espionage, malicious cyber activity is a growing and ever changing national security threat.¹

In the 2013 document *Strong and Secure: a strategy for Australia's national security*, the Australian Government identified 'malicious cyber activity' as one of seven key national security risks, and 'integrated cyber policy and operations to enhance the defence of our digital networks' as one of only three five-year priorities.²

The key cyber security announcement in the *Strong and Secure* strategy was the establishment of the Australian Cyber Security Centre, which is likely to be operational in early 2015 when the facility from which it will operate becomes available.³ The *Strong and Secure* document has since been removed from the Department of the Prime Minister and Cabinet's website, in a signal that the Abbott Government wishes to set its own national security agenda. However, the establishment of the Australian Cyber Security Centre continues to have the Government's support.

While terrorism and specifically the Islamic State are dominating the national security agenda at the moment, cyber security is still an important issue for the Australian Government. It remains an issue that requires a continued commitment to address the threats and vulnerabilities to protect Australia's national security from malicious actors. These actors generally fall into one or more of five broad categories: cyber criminals, issue-motivated groups or 'hacktivists', trusted insiders, nation state-supported groups, and nation states.⁴

These actors generally seek to achieve one or more desired outcomes, including financial gain, highlighting a cause or gaining attention, unauthorised access to information or intellectual property, or denying, disrupting or degrading access to systems or information. Annex A ('Malicious Cyber Actors, Desired Outcomes and Examples of Cyber Threats') provides a table describing the five broad categories of malicious cyber actors and their desired outcomes, as well as a number of examples.

To understand why cyber security is still an important policy area for the Australian Government, it is useful to look at two key elements. First is the current economic costs and personal impacts that cyber crime has on businesses and individuals in Australia. Second is the potential impact of a cyber threat based on the levels of reliance that Australians have, both individually and collectively, on information and communications technology (ICT).

General Keith Alexander, at the time the Director of the US National Security Agency and Commander of US Cyber Command, stated in 2012 that the loss of industrial information and intellectual property through cyber espionage constitutes the 'greatest transfer of wealth in history'.⁵ McAfee, a leading cyber security company, estimated that the cost of malicious cyber activity in 2013 was between US\$300 billion and US\$1 trillion or 0.3 to 1.14 per cent of global GDP (measured in purchasing power parity terms).⁶

Symantec, another leading cyber security company, estimated the cost to Australia in 2013 was US\$1 billion or 0.1 per cent of GDP.⁷ While 0.1 per cent of GDP does not sound high, it has the potential to grow sharply and it is still a loss of US\$1 billion that could be greatly reduced through relatively-inexpensive government policies and activities.

At the micro or individual/firm level, Symantec estimates that 60 per cent of Australian adults have experienced cyber crime (compared with 61 per cent globally) and that the average cost per victim in 2013 was US\$187.⁸ CERT Australia (the Australian Government's Computer Emergency Response Team within the Attorney-General's Department), in its *2013 Australia Cyber Crime and Security Survey Report*, reported that 56 per cent of organisations surveyed had suffered a cyber security incident in the previous 12 months.⁹ Similarly, a 2014 report by the Ponemon Institute identified that 44 per cent of organisations surveyed globally had suffered a serious cyber security incident in the previous year.¹⁰

For a business, the cost of a cyber security incident or breach can vary based on both the tangible cost of responding to and recovering from the incident, and intangible costs such as reputation damage. Kaspersky, another leading cyber security company, estimated the cost to a large company averaged US\$649,000 for each incident, while for a small or medium company it was US\$50,000.¹¹ These costs, particularly for a small or medium company, likely represent a barrier to innovation and productivity; they certainly represent an opportunity cost to both the business and the national economy that is difficult to measure.

The potential costs of cyber threats resulting from a loss of confidence in using online services must also be considered. Australians are embracing the Internet as both a marketplace for the sale of goods and services, and as an increasingly important source of social interaction. The Australian Bureau of Statistics estimated in 2012-13 that 83 per cent of Australians were Internet users. The percentage of those who used the Internet for purchasing goods and services was 76 per cent, while of the 24 per cent who did not use the Internet for purchases, half identified concerns about security as the key reason.

In the same study, the Australian Bureau of Statistics identified that 72 per cent of Internet users transacted Internet banking and 66 per cent were active on social networking sites.¹² The National Australia Bank, in its *July 2014 Online Retail Sales Index*, valued online retail sales at A\$15.6 billion or 1 per cent of GDP, with 76 per cent of this spending going to domestic retailers.¹³ In March 2012, the Boston Consulting Group estimated that the Internet economy in 2016 will account for 1.7 per cent of Australia's GDP and 8.9 per cent of retail sales.¹⁴

What will be the effect on retail spending if people lose confidence in the convenience of online shopping? What will be the productivity impact of people no longer using Internet banking, instead going back to branches? What will be the effect on businesses which have invested heavily in online products and service delivery? What will be the effect on people's social relationships without online social networking? These questions, among many others, need to be considered when assessing the importance of cyber security.

The vulnerability of Australia's critical infrastructure to cyber threats must also be considered. In a global survey of more than 600 ICT and security executives from critical infrastructure providers, 54 per cent stated they had experienced large-scale attacks on their infrastructure. In Australia, more than 60 per cent of those surveyed believed foreign governments had been involved in attacks against critical infrastructure in Australia and, in a follow-up survey, 90 per cent of respondents in Australia were 'worried about their sector's vulnerability'.¹⁵

The connectivity of some sectors of critical infrastructure, particularly the power grid, is growing as new 'smart grid' projects are implemented. These systems allow two-way communication between the electricity company's systems and the individual devices, such as meters, via the Internet.¹⁶ Alarming for critical infrastructure providers, researchers at the Freie Universität in Berlin have shown that it is possible to identify and interactively map Internet-connected supervisory control and data acquisition systems, such as those commonly used in critical infrastructure, which is information that could be very valuable to malicious cyber actors.¹⁷

'Cyber security' is the outcome of the activities and actions to protect against cyber threats and is generally implemented in a risk-based manner, addressing the most significant risks first. Cyber threats target a system, organisation or individual directly, and it is these entities that have primary responsibility for assessing their risk and implementing the appropriate cyber security solutions. However, threats against one organisation can have potential impacts on others.¹⁸ These second-order victims, enabled by the interconnected nature of the Internet and modern business relationships, include business partners, customers and even unrelated businesses with shared customers. A significant example is that when the security company RSA was breached in 2011, the

information gained was used to breach the systems of Lockheed Martin, one of the largest defence contractors in the US.¹⁹

It is impossible for the Australian Government to directly provide cyber security capabilities for the entire business and civilian population. However, this paper will argue that the direct costs, the potential future impact, and the second-order effects of cyber threats require the Australian Government to play a significant role in promoting cyber security in Australia.

The paper will argue that the Australian Government should focus less on enhancing its own operational capabilities and more on supporting broader national activities in five key areas. First, by publishing a regularly-reviewed cyber security strategy to identify and prioritise the nation's activities to enhance cyber security. Second, by stimulating the Australian cyber security industry and encouraging demand for and supply of innovative, secure ICT services. Third, by providing incentives for government agencies and businesses to implement effective cyber security. Fourth, by enhancing the cyber security workforce through promoting cyber security careers to secondary and tertiary students. Finally, by undertaking effective international engagement to leverage and enhance the experience and expertise developed in other nations.

The paper will be presented across six parts. Part 1 will provide context for a new Australian Government cyber security strategy by analysing the current approach to addressing cyber threats. It will focus on the current roles and responsibilities of key areas of Australian government and business, and identify and analyse where issues, shortfalls and opportunities exist in the current approach. In Part 2, the paper will recommend that the Australian Government produces a new cyber security strategy as the key first step and will include a set of suggested objectives and strategic priorities.

Parts 3 to 6 will recommend initiatives for achieving four of the key new strategic priorities identified in Part 2. These have been designed to be low cost or cost neutral for the Australian Government and be cost effective in the benefits delivered, which is seen as critical in the current fiscally-constrained environment. Part 3 will focus on initiatives to stimulate demand and supply of services from the cyber security industry in Australia. Part 4 will focus on initiatives to achieve the strategic priority of enhancing the cyber security of key areas of Australian business. Part 5 will provide a suggested initiative to enhance the quantity and quality of the Australian cyber security workforce, specifically through engagement with the tertiary education sector. Part 6 will identify key initiatives for the Australian Government's diplomatic and international engagement on cyber security.

Part 1 – The current approach to cyber security in Australia

The aim of the Australian Government's cyber security policy is the maintenance of a secure, resilient and trusted electronic operating environment that supports Australia's national security and maximises the benefits of the digital economy.²⁰

In Australia, like much of the world, the ICT systems that store and process sensitive personal and business information, and control critical national infrastructure, are owned and operated by a mixture of businesses, governments and individuals and their contracted service providers. Links between individuals and organisations are provided by Internet service providers (ISPs)—generally telecommunication companies—which provide the backbone networks, connectivity to the global Internet and access points for users.

Ultimate responsibility for the security of ICT systems is with the owner or operator of any system, as they have the greatest ability to influence its implementation. However, governments, ISPs and the cyber security industry can and do play a significant role in cyber security. Admiral Michael Rogers, the current commander of US Cyber Command and the National Security Agency, observed in July 2014 that:

[C]yber is the ultimate team sport. There is no one single organisation that has all the answers, there is no one single technology that will solve all of our problems, meet all of our challenges.²¹

The role and approach of the Federal Government

In practice, the Australian Government has four key roles in cyber security. The two primary roles for government are to develop, implement and enforce cyber security legislation, regulation and policy, and to engage internationally on cyber security to promote coordination and cooperation in addressing cyber threats. The third role is the provision of policing to investigate cyber crimes and criminals. The fourth is to provide guidance, advice and some operational capabilities to identify, prevent and detect cyber threats.

The current focus of the Australian Government is the provision of information and resources to educate ICT systems owners, including businesses and individuals, on cyber security threats and vulnerabilities. Some key examples of the resources include the Australian Signals Directorate's 'Information Security References' page, CERT Australia's 'Advice' page, the Australian Federal Police's (AFP) 'Cyber Crime: Crime Prevention' page, the 'ThinkUKnow' campaign from the AFP and Microsoft, the Australian Communications and Media Authority's 'cyber(smart:)' site and the 'Stay Smart Online' site managed by the Department of Communications.²²

The second focus of the Australian Government is its operational capability to identify and detect cyber threats, and respond where appropriate. This includes the investigation of cyber crimes by law enforcement, in particular the AFP's High Tech Crime Operations.²³

Additionally, since the release of the 2009 cyber security strategy, the Australian Government has invested heavily in operational cyber security capabilities through the Cyber Security Operations Centre and CERT Australia. These organisations undertake activities to assist government agencies and business to detect cyber attacks or intrusions against their systems, and provide advice and assistance to respond to any such intrusions.²⁴

The role and approach of state and territory governments

The state and territory governments in Australia have similar responsibilities but with a narrower focus on their respective constituents. In most jurisdictions, cyber security, particularly for individuals and businesses, is predominantly the domain of the local police force. The police focus on the identification, investigation and prosecution of cyber crimes and criminals, while providing some limited guidance to protect constituents from cyber threats.²⁵

Education is the one area that state and territory governments can and do play a large role, not least because the delivery of public education in Australia is constitutionally the mandate of the states.²⁶ It is an important area that could be leveraged further to enhance the understanding of cyber threats and how to address them by all Australians, particularly young adults and children.

The role and approach of ISPs

ISPs are a special case in industry when it comes to cyber security. They play a unique role in providing the gateway to the Internet for Australian governments, businesses and individuals.²⁷ All traffic, both legitimate and malicious, flowing to and from ICT systems traverses one or more ISP's network. This privileged position provides the environment where ISPs could significantly enhance cyber security through the provision of 'secure' options for connectivity.

The ISP community already plays a role in this space. First, through its engagement with the AFP, it implement INTERPOL's 'Worst Of' list—used to block access to child abuse material for all ISP customers. Second, it voluntarily implements the Internet Industry Association and Australian Communications and Media Authority's i-code.²⁸ It encourages ISPs to identify malicious software infected computers on their networks and inform customers if their computers are infected, as well as providing advice and assistance on how to recover from the infection.²⁹ Additionally, a number of ISPs offer their home-based customers low-cost access to antivirus and other cyber security software to better protect them while online.³⁰

The role of owners and operators of ICT systems

The owners and operators of ICT systems play the largest role in cyber security for two key reasons. First, they have the greatest ability to implement security in the system because of their access to and management of the system. Second, they have a duty of care to the users of these systems, who provide them with information to use their services. The key role of the owners and operators of ICT systems was a clear assumption in the Australian Government's 2009 cyber security strategy, where two of the three stated objectives were about businesses and individuals operating their own ICT systems securely.³¹

If all system owners implemented strong cyber security, malicious software would not be able to propagate as easily between systems, and Internet-connected systems would be a much harder target for malicious cyber actors. However, the cyber security capabilities of businesses and individuals, and their current implementation, vary greatly. While large businesses, such as banks, and defence industry and technology companies may have significant resources for cyber security and dedicated cyber security teams, small-to-medium enterprises often have no dedicated cyber security expertise, poor implementation and little budget.

The Australian Government and the cyber security industry provide a significant amount of guidance and educational material online, however, because they cannot access and influence all individuals and businesses directly, it is up to the business or individual to locate and implement the guidance. Moreover, notwithstanding its guidance and educational material, the Australian Government provides few policy, legal or regulatory drivers to encourage better cyber security among this group.

The Australian Government's current strategy

The Australian Government has released two cybersecurity strategies, the E-Security National Agenda, which was established in 2001 and reviewed in 2006, and the 2009 cyber security strategy.³² The 2009 strategy identified six guiding principles, three objectives and seven strategic priorities to guide the implementation of an effective, integrated, whole-of-nation approach to cyber security.

While the principles, objectives and priorities identified in the 2009 strategy are logical goals for the Australian Government to pursue, it has had varied success in their implementation. The Government has undoubtedly taken action on cyber security since the 2009 strategy, with the establishment of both the Cyber Security Operations Centre and CERT Australia being key achievements.³³ However, there is little evidence that the Government has achieved significant gains in partnerships and shared responsibility, the key goals that make cyber security a 'team sport' and allow a whole-of-nation approach to cyber security.

CERT Australia has partnerships with over 500 businesses, however, the nature of those relationships is unclear.³⁴ Are they customer-provider or true two-way partnerships with shared responsibilities? Australia has also been active in international engagement on cyber security, both bilaterally and multilaterally. Australia has led and contributed to a number of working groups and reports being prepared by multinational institutions, such as the UN, and Internet governance organisations such as the Internet Corporation for Assigned Names and Numbers, and the International Telecommunications Union.³⁵

The proposed new Australian Cyber Security Centre aims to 'improve partnerships between governments and with industry', with the view to 'see[ing] more seamless interaction with international and industry partners'.³⁶ It will bring together the Australian Government's key operational cyber security organisations, namely CERT Australia, ASIO's Cyber Espionage Branch, elements of the AFP's High-Tech Crime Operations and parts of the Australian Crime Commission.³⁷

Having these organisations together, and coordinating their engagement internationally and with businesses and academia, will almost certainly assist the Australian Government to engage more effectively.³⁸ However, it remains to be seen how the decision to house the Australian Cyber Security Centre within ASIO's new 'high-security' facility in Canberra affects its ability to effectively engage with industry.³⁹

Part 2 - A new and periodically-reviewed cyber security strategy

The 2009 cyber security strategy was an excellent first cyber security strategy for Australia. But Australia's use of ICT, its key vulnerabilities, and the threats seeking to exploit those vulnerabilities have moved on since 2009. Five years after the last strategy, and with a new Australian Government with new priorities, it is the ideal time for a new cyber security strategy. It should be used to signal a shift in focus from enhancing the Government's own cyber security capabilities to establishing effective domestic and international partnerships in cyber security and promoting an environment of shared responsibility.

The Australian Government should use the new cyber security strategy to identify and coordinate the policy, legislative, regulatory, diplomatic and operational activities of Australian Government agencies. The strategy, managed by the Department of the Prime Minister and Cabinet as the cyber policy lead, should ensure activities across the Australian Government are consistent and working to achieve a whole-of-nation approach to cyber security.

The objectives for a new cyber security strategy

The new cyber security strategy should include a new set of objectives that reflects the Australian Government's desired outcomes with respect to cyber security. Each of these objectives should be considered equally important. While each in isolation would deliver benefits to the nation, their complementary nature means the benefits will be far greater when implemented as a package.

Objective one should be that 'Australian businesses and individuals secure their systems and are able to transact online safely and securely', reflecting that the desired outcome is not just an awareness of the risks but also that something has been done about them. Objective two should be that 'Australian Government and critical infrastructure providers will be a hard target or target-of-last-resort for malicious cyber actors'. This objective reflects that while cyber threats will always remain, Australian Government and critical infrastructure systems will need to make the job of sophisticated cyber actors significantly more difficult.

Objective three should be that 'Australia's cyber security industry will be able to provide innovative, effective and efficient services to assist the Australian Government, businesses and individuals to secure their systems'. This reflects the desired outcome of partnerships and shared responsibility with the cyber security industry. Objective four should be for 'Australia to be a leader in international cooperation and engagement on cyber security and cyber crime', reflecting that the Government recognises that cyber threats are a global issue and that the international community can work together to address the threats more effectively. Objective five should be that 'all Australians are educated on cyber threats and act to protect themselves'. This would reflect that the Government recognises the need to educate its citizens on cyber safety and security, and that the education sector plays a key role in cyber security.

Strategic priorities for a new cyber security strategy

With a new set of objectives defined, the strategic priorities should be developed accordingly. It is suggested that these priorities should be:

1. Australian businesses and individuals to be able to access appropriate information and guidance on the identification, detection and prevention of cyber threats.
2. The Australian cyber security industry be supported to enable it to provide, innovative, efficient and effective cyber security capabilities and services.
3. Australian Government and critical infrastructure systems to implement minimum standards to identify, protect, detect and respond to cyber threats.
4. Australia to work with international partners and multinational institutions to ensure that cyber crimes can be efficiently investigated and prosecuted regardless of the source or destination.

5. Australia to identify opportunities to cooperate internationally on cyber security and to define rules and norms for state behaviour and responsibilities in cyber space.
6. The Australian Government to work with the education sector to ensure that effective cyber safety and security modules are delivered to students.
7. The Australian Government to implement and maintain capabilities to assist all levels of government, as well as businesses and individuals, to deter, detect, respond and recover from sophisticated cyber threats.
8. The Australian Government to work with the tertiary education sector to develop an effective cyber security workforce.

In the remainder of this paper, four of these strategic priorities will be expanded on to outline the key initiatives that should be undertaken to achieve these priorities. The Australian Government's new cyber security strategy should provide specific initiatives to achieve its stated objectives and implement its strategic priorities, which need to represent implementable and measurable commitments. The 2009 cyber security strategy had few such initiatives, making it difficult for the Australian Government to measure and report on its performance and effectiveness in implementing the strategy.

Part 3 - Initiatives for stimulating the Australian cyber security industry

These initiatives represent the key change of focus for the new cyber security strategy. They relate to the strategic priority of stimulating demand and supply of innovative, efficient and effective cyber security solutions and capabilities. Australia has a vibrant and expanding cyber security industry, however, more needs to be done to stimulate demand for its services and to increase the incentives for the companies involved to innovate.

It is worth noting that the Australian Information Security Association has more than 2000 members, while the International Information Systems Security Certification Consortium—an organisation that certifies information security and risk professionals globally—has 1795 Australian members; also, CREST Australia, a certification body for security assessors, lists 17 companies with one or more CREST-certified assessors.⁴⁰

To stimulate demand, the Government should implement regulations or provide incentives to businesses to improve their cyber security. Regulations could include placing an additional cost on a business for not implementing adequate cyber security, or providing an additional benefit where they have implemented good cyber security. That said, the incentive approach can

be difficult, as it is hard to prove the negative in cyber security, where the absence of a breach or compromise does not necessarily indicate good cyber security; it could be luck or it could be that the business or individual has been compromised and does not know it.

Specifically, the Australian Government should look at two key low-cost initiatives. First, the introduction of data breach notification laws for publicly-listed companies and businesses that store and process personal information. Second, an expansion of the current Australian Internet Security Initiative to place mandatory membership and mandatory actions on ISPs for detecting and isolating compromised hosts using their services.⁴¹

Mandatory data breach notification laws

Data breach notification laws, that is the requirement to report to a regulator and/or data owner when a compromise or breach occurs, place reputational and ultimately financial pressure on businesses and companies to maintain effective cyber security and minimise the likelihood and impact of a data breach. Such laws have been enacted extensively in the US. For example, 47 US states (including Washington DC), Guam, Puerto Rico and the Virgin Islands have implemented mandatory data breach laws.⁴² Australian Government agencies similarly already have a requirement to report breaches to the Australian Signals Directorate, being the Government's information security authority.⁴³

To get the most benefit upfront, the Australian Government should focus on publicly-listed companies and those that store and process personal information of their customers. The companies with personal information are likely to be targeted and a breach is likely to affect many people. They also represent a section of industry that can be regulated easily through existing bodies such as the Australian Securities and Investment Commission.

Publicly-listed companies currently have a large incentive to cover up data breaches because of the potential effects on stock value. The future value of a company and therefore the returns to a shareholder are often linked to their intellectual property (for example, the recipe for Coca Cola or Big Mac Sauce, or the plans for sophisticated technology such as the Joint Strike Fighter aircraft), which may be their market differentiator. The Australian Signals Directorate reports that malicious cyber actors frequently target intellectual property as a key driver or outcome of a breach or compromise.⁴⁴

The Australian Government should implement laws or regulations that require publicly-listed companies to report any cyber breach which results in a loss of data. These reporting requirements place indirect costs, particular as the media becomes aware of the issue, on companies and businesses that suffer

a breach. These costs strengthen the incentives to invest in cyber security to prevent the reputational and resulting financial impacts of a data breach.

The reports should be made to the AFP (for investigative purposes), the Australian Securities and Investment Commission as the market regulator, and the Australian Stock Exchange for inclusion in market news so that shareholders can make investment decisions accordingly. In addition, all companies that suffer a breach of personal information of customers or business partners should be required to report the breach. Breach reports in this instance should go to the Office of the Australian Information Commissioner and directly to the customers or business partners affected.

There is a counter argument against mandatory breach reporting that argues it will lead to 'wilful blindness' and 'disincentive for some to actually know what is going on'.⁴⁵ However, it could be argued that, at worst, this 'wilful blindness' already occurs or, at best, that many companies currently do not understand the impact of cyber security breaches and therefore the benefits of strong cyber security. Implementing the mandatory reporting requirements would raise the awareness of those that do not understand the cyber threat through the external regulation and incentives.

For those that are wilfully blind to the issue of cyber threats or simply choose to ignore them and not report, the Government could complement the mandatory notification laws with a protected whistle-blowing scheme. The AFP or regulatory bodies (such as the Australian Securities and Investment Commission or the Office of the Australian Information Commissioner) would investigate accusations of non-compliance, and the courts could impose significant fines or prosecute the executives of companies which fail to meet their mandatory reporting obligations, as is already common with workplace health and safety laws.⁴⁶

To implement these changes, the AFP, the Australian Investment and Securities Commission and the Office of the Australian Information Commissioner would need their staffing levels augmented to collect, process and action the data breach notification reports. It could be expected that this would be approximately ten Australian Public Service (APS) staff (four APS-level 4, four APS-level 6 and two executive level one), split evenly between the Australian Investment and Securities Commission and the Office of the Australian Information Commissioner, and five AFP officers. Using the current Department of Finance's costing template for APS staff, this would equate to an additional \$1.8 million per year, including both direct remuneration and staff on-costs.

In addition to the staffing costs, the responsible agencies would need to undertake an advertising and awareness campaign for potentially-affected businesses. The

campaign would need to be in compliance with guidelines produced by the Department of Finance.⁴⁷ The final costs would depend on the form of advertising chosen, however, it would need to be sufficiently broad to ensure potentially-affected businesses are aware of their obligations. Based on the costs of a similarly campaign by the Department of Immigration and Citizenship in 2012-13, it could be expected to cost around \$700,000.⁴⁸ Finally, this initiative may require the relevant agencies to approach the market for the development of the systems and processes to support the reporting and processing activities. This would need to be confirmed with the responsible agencies.

Expanding and mandating the Australian Internet Security Initiative

The second initiative to stimulate the cyber security industry would be to expand the current Australian Internet Security Initiative. Under the current initiative, run by the Australian Communications and Media Authority, ISPs are provided with reports of activities on their networks that are common in compromised or malicious systems.⁴⁹ The ISP can take action to notify the customer, and isolate or remediate the system. However, the actions of the ISP are not mandated or regulated by the initiative, although another voluntary code, the Internet Industry Association's iCode, does provide guidance and recommendations to ISPs.

The new initiative should strengthen this process by making membership of the Australian Internet Security Initiative mandatory for ISPs. Currently, the initiative's 139 members cover 90 per cent of Australia's Internet traffic.⁵⁰ In addition to making it mandatory to be a member, the initiative should mandate actions to be taken by ISPs when they are informed of compromised systems on their networks. This should include a tiered approach of notification to the owner, to isolation of the affected system until it is remediated.

By placing a larger burden on the ISPs to ensure their customers are not negatively impacting the cyber security of others, the Australian Government would encourage the ISPs to offer secure services to their customers. The incentive for customers to purchase these secure services is that their systems may be removed or isolated from the network if they are not appropriately secured and are subsequently compromised. The incentive for the ISP would be reputational; if an ISP can show that using their secure service resulted in less time removed or isolated from the Internet, it provides an incentive for ISPs to compete on security, not just speed and cost.

The implementation of this initiative, other than to draft the necessary legislation, should be cost neutral to the Australian Government. It would have a significant effect in highlighting the importance of key partnerships between owners and operators and service providers in cyber security, and stimulate demand for innovative secure solutions from ISPs. However, significant care

would need to be exercised in drafting the legislation to minimise the risk of the Australian Government being accused of limiting business opportunities and restricting trade of companies should they be removed from the Internet.

Part 4- Initiatives for improving the cyber security of Australian business

The Australian Government will need to prioritise its direct effort on cyber security towards the security of those systems that are most likely to be targeted, and which would cause the Australian Government and the Australian public the most damage should they be breached or attacked. The capabilities and resources of the Australian Government, particularly those within the proposed Australian Cyber Security Centre, are impressive but they cannot possibly stretch to protect all Australian ICT systems all of the time.

Under this prioritisation, the Australian Government should focus on systems that support Australia's critical national infrastructure and the systems of the Australian Government itself. While breaches and attacks of the systems of a majority of businesses may have economic and financial impacts for the business, it is unlikely to be an issue with significant national implications. On the other hand, if critical infrastructure and Australian Government systems are compromised or rendered unavailable, the delivery of essential services could cease, with consequences that affect national governance and the health and safety of citizens.

Minimum cyber security standards for government and critical infrastructure systems

To make these systems more resilient, the Government should develop and mandate minimum cyber security standards for Australian Government and critical national infrastructure systems. The Australian Government already has the basis of the minimum standards in its *Information Security Manual*, produced by the Australian Signals Directorate, which is mandatory for Australian Government agencies.⁵¹ The *Manual* is currently heavily focused on securing government systems, and the standards are based on the security classification of information, which often means little to the private sector.

To support the new minimum standards, the *Information Security Manual* should be rewritten to make it more applicable for non-government organisations. This could be achieved by documenting the mandatory protections based on a threat and level of risk, rather than the classification of the information it stores or processes. This risk-based ordering would aid both government and non-government organisations to assess their cyber security implementation against their threat environment. It would enable the Australian Government

to recommend, and organisations to apply, protections above the minimum standards if the threat environment warrants.⁵²

The Australian Government would need to establish the appropriate law or regulations to mandate the standards, and the associated performance reporting and compliance, and auditing regimes to enforce the law or regulation. To achieve this, the Australian Government would need to create a new national security law focused on cyber security for critical infrastructure. It would need to articulate what the government considers critical infrastructure, and detail the authoritative document(s) for the standards.

The Rudd/Gillard Government produced a Critical Infrastructure Resilience Strategy in 2010 that provided a high-level definition of 'critical infrastructure', however, to enforce the minimum cyber security standards, a definition that allows for less interpretation is required.⁵³ The new law needs to place requirements on the operators of critical infrastructure system to report annually their compliance with the developed standards, and provide evidence of independent audit and risk assessment against the compliance. To complement the standards and compliance regime, the law should also specify penalties for failing to report or non-compliance.

The responsibility for reporting, compliance and monitoring regimes should be placed with the Attorney-General's Department, which has coordination responsibility for critical infrastructure resilience for the Australian Government.⁵⁴ The development and maintenance of the cyber security minimum standards should be undertaken by the Australian Cyber Security Centre, utilising the existing expertise of the Australian Signals Directorate in standards development and the expertise of CERT Australia and ASIO in critical infrastructure security.

The creation and maintenance of the standards could be undertaken under existing resourcing, as part of the regular *Information Security Manual* review cycle. The reporting, compliance and monitoring regime would likely require CERT Australia to be augmented by up to five APS staff, such as two APS-level four, two APS-level six and one executive level one staff member. Using the current Department of Finance costing template, this would equate to an additional \$620,000 per year, including both direct remuneration and staff on-costs. In addition, the Attorney-General's Department would need to undertake an advertising and awareness campaign for potentially-affected businesses.

Advertising for this initiative would similarly need to be in compliance with Department of Finance guidelines.⁵⁵ The final costs would obviously depend on the form of advertising chosen but, again, would need to be sufficiently broad to ensure that potentially-affected businesses are aware of their obligations, and could be expected to cost around \$700,000.⁵⁶

Cyber security threat and knowledge sharing

Most cyber threat actors do not target a single business or agency. Even so-called 'advanced persistent threats' often target multiple business in multiple industries, using the same or similar tools, techniques and procedures.⁵⁷ Hence combatting these threats could be enhanced through the sharing of actionable cyber threat intelligence and knowledge between organisations. By sharing, many could benefit by using the experience of others. The Australian Government should play a role in supporting the establishment of the agreements, systems and processes to enable timely and actionable intelligence and knowledge sharing.

The Australian Government has previously established the Trusted Information Sharing Network to enable sharing of 'vital information on security issues relevant to the protection of our critical infrastructure and the continuity of essential services in the face of all hazards'.⁵⁸ The network includes a number of sector-specific groups, to enable the sharing of information within a sector, and a small number of expert advisory groups, including one for cyber security, which can advise across all the sector specific groups.⁵⁹

The cyber security advisory group has produced a number of publications providing guidance for network members and the general public.⁶⁰ While the network provides a great forum for the sharing of high-level threat information, it does not readily enable the sharing of technical information or detailed intelligence with other organisations to detect and respond to cyber attacks or compromise.

The Australian Government, with the support of an industry partner and the network's existing cyber security expert advisory group, and in consultation with relevant sectoral groups, should develop a pilot or prototype system (including policy and processes) to securely share technical details of threats and the detection rules and response options to defeat them. In the US, many of the sectoral 'Information Sharing and Analysis Centers', which are roughly equivalent to Australia's network sector groups, have established cyber information sharing systems and processes.⁶¹

These centres are run by members and jointly funded by members and the US Government. Once the Australian Government and industry partner have developed a pilot or prototype system, the industry partner would be able to offer the solution to a sector group either as a fee-for-service or as a licensed software (and hardware) system. The Australian Government would ideally have provided the seed funding for the innovation, allowing the industry partner to reduce the cost for the service or system offered to the sectoral groups.

At that point, funding and steering of the sectoral cyber threat and knowledge sharing centres should be from members, who could offset the cost with reducing their own internal cyber security capabilities. The Australian Government could look to fund these cyber threat knowledge sharing centres in the future if they do not receive the necessary support and commitment from business, albeit that should be considered a last resort.

The Australian Cyber Security Centre should negotiate with the sectoral groups to provide the Government's shareable threat information into the sector group systems, further strengthening the business and government partnership for cyber security. It should also investigate whether sectoral groups are willing to provide a feed of threat information back to government to assist in its own situational awareness of the cyber threat. However, while this would be desirable, it should not be pursued if it represents a barrier to businesses within a sectoral group from participating because of concerns about sharing commercial information with government.

The cost of this proposal for the Australian Government would be in establishing the pilot or prototype system (and policy and processes) with the industry partner. The cost is difficult to quantify, as it would depend on negotiations with the industry partner about its ability to commercialise the solution being developed. If the Australian Government is successful in stimulating demand for cyber security services and capabilities through other initiatives, demand for the jointly-developed service or system would be enhanced. If the Government could encourage each of the sectoral groups to implement the solution, and the industry partner was able to sell it more broadly, the business case for the industry partner to lower or waive the upfront cost to government would be significantly improved.

Part 5 - Initiatives to enhance the cyber security workforce

Technical capabilities are important for effective cyber security. However, having the right professionals to identify and analyse threats and to develop, implement, maintain and monitor cyber security capabilities is critical to their effective operation. In recent times, cyber security professionals have been in high demand both in government and industry, and it has been observed that Australia, like much of the world, faces a cyber security skills shortage.⁶²

National ICT Australia has warned that 'Australia could miss the chance to build an internationally competitive cyber security industry if it doesn't ... create market opportunities and challenging careers for our best computer scientists and software engineers'.⁶³ To address this, the Australian Government should increase its activities to assist tertiary institutions in promoting cyber security as a rewarding and valuable career path for the best and brightest ICT students.

Promoting cyber security as a profession with students

In 2012, the Australian Government, in partnership with Telstra, delivered the first Cyber Defence University Challenge for 17 teams of undergraduate students from Australian universities. Since 2012, the challenge has expanded to 55 teams from 22 different tertiary institutions.⁶⁴ Renamed the Cyber Security Challenge Australia in 2013, the challenge aims to 'excite, inspire, attract and help Australia's talented people to become our next generation of cyber security professionals'.⁶⁵ The challenge tested key cyber security skills, such as vulnerability assessment, penetration testing, and computer and network forensics. Participants undertake challenges in each of these areas and are shown a range of prospectively-exciting careers in cyber security.

The Australian Government should expand on the success of these challenges to include a challenge for Year 11 and 12 students. The aim would be to encourage the take-up of ICT and cyber security courses at university, rather than pursuing other disciplines.⁶⁶ By limiting the challenge to current ICT students at university, an opportunity may be lost to influence prospective ICT students to enrol in ICT and cyber security courses and, potentially, to increase both the quantity and quality of students studying cyber security.

Further to that, the current Cyber Security Challenge Australia should be expanded to become a two-part challenge involving a regionally-based qualification tournament and national finals. By holding a regionally-based qualification tournament, more tertiary institutions would be able to compete with more teams and a greater number of students would be influenced on the career opportunities available in cyber security.

The universities would benefit through the ability to benchmark themselves against like universities and implement incremental improvements to their cyber security programs, rather than comparing themselves to larger and more affluent universities with existing strong cyber security programs. After the qualification step, the best performing teams should be selected from each state and territory to compete in the national finals for the major prizes.

Implementing the expanded challenge should become a priority for the new Australian Cyber Security Centre. It contains all the necessary Australian government skills and expertise and, most importantly, has the key role in establishing and maintaining the Australian Government's relationships with industry on cyber security. While much of the current work to implement the Cyber Security Challenge Australia is being performed by the Australian Signals Directorate and CERT Australia, the Australian Cyber Security Centre could use the challenge to engage with industry to play a larger role for the benefit of the government, industry, universities and the students.

Having the cyber security industry playing a larger role would also provide a greater opportunity for it to engage with and recruit the brightest talent in cyber security. For students, this would enhance their opportunity to impress prospective employers and provide a vehicle to secure employment. The universities could use a good performance in the challenge by their team(s) as a differentiator to attract the best and brightest students and, potentially, to attract industry partners or provide a focus on key areas they need to improve their course.

The benefits for the Australian Government are both direct and indirect. Increased industry engagement would lighten the burden on the Government's skilled professionals for other duties, while the increased competition between the universities should lead to a greater focus on cyber security and, ultimately, better educated and trained cyber security graduates.

Expanding Cyber Security Challenge Australia in this way would represent no additional cost to the Australian Government and, indeed, is likely to be cheaper than the current arrangement. The initiative would enable the cyber security industry to play a more prominent role, to the benefit of all involved. For the Australian Government, less direct commitment would be required as its role shifted from design, implementation and management to supporting an industry partner to deliver the outcomes.

Part 6 - Initiatives for the Australian Government's international engagement and diplomacy

The Internet connects nations closer than ever before and provides great opportunities to trade, share, influence and communicate with neighbours both near and far. At the national level, cyber space provides an environment where interstate competition and conflict can occur and diplomatic tensions can be increased. But it also creates opportunities to enhance Australia's diplomatic engagement and cooperation to address a common and shared problem.⁶⁷ Australia should capitalise on this opportunity to cooperate internationally and seek ways to mitigate the cyber threat to Australia, and enhance our bilateral and multinational relationships.

The Department of Foreign Affairs and Trade (DFAT), in its role of advancing the interests of Australia and Australians internationally, has already placed cyber security on the agenda in a number of bilateral agreements and multinational institutions.⁶⁸ The current Australian Government has also sought to add cyber security to the agenda in a number of bilateral discussions: in 2013 and 2014, for example, Australia established dialogues or cooperation on cyber security with India, Indonesia, the Republic of Korea and Japan.⁶⁹

In addition to the DFAT-led initiatives, Australia's operational cyber security agencies play an important role in international engagement. CERT Australia is active in the international 'computer emergency response' community, particularly through its membership in the Asia Pacific Computer Emergency Response Team.⁷⁰ The Australian Signals Directorate also has close intelligence and operational response relationships with its equivalent agencies in the US, UK, Canada and New Zealand.

However, despite significant activity in international engagement on cyber security, there does not appear to be an overarching strategy or plan that guides Australia's approach. It is, therefore, difficult to determine if there are gaps, overlaps or even conflicting activities being undertaken across the Australian Government. To address this, and to ensure its international engagement is both efficient and effective, DFAT should develop an international engagement and diplomacy plan for cyber security.

Developing an international engagement strategy was identified as an activity in the 2009 cyber security strategy, however, there is no evidence it was ever completed.⁷¹ In particular, the plan should address four key areas. First should be the development and implementation of international laws and norms or behaviour in cyber space. Second is the sharing of cyber security threat intelligence and incident response cooperation. Third is cyber security capacity building in the Asia-Pacific region. Fourth would be cooperation on the investigation of cyber crimes and the prosecution of cyber criminals.

International law and norms of behaviour in cyber space

Despite cyber threats being a truly international problem, there are no international agreements on a nation's responsibilities with respect to cyber crime and cyber security. While the UN affirmed in 2013 that existing international law applies to a state's use of cyber space, the closest thing to a broad agreement between nations is the Council of Europe's Convention on Cybercrime.⁷² To date, only 54 of the 193 nations in the UN have signed, ratified or acceded to the convention, mostly from Europe.⁷³ While this commitment is commendable, it still leaves the majority of nations across the globe outside the agreement.

In September 2011, China and Russia surprised the international community by submitting a proposal to the UN General Assembly outlining an 'International Code of Conduct for Information Security'.⁷⁴ Unfortunately, the proposal has drawn criticism from the US, in particular, for two key reasons. First is its focus on information security rather than cyber security, which is seen by the US as justification for restricting the access of citizens to information. Second, the proposal places great emphasis on the right of a state to control information

and combat cyber threats against it, without clearly articulating the state's role, responsibility and accountability in preventing cyber threats that originate within its jurisdiction.⁷⁵

The creation of an UN-supported international code of conduct, or an agreed set of norms of behaviour, is in Australia's interests and should be a priority for Australia's diplomatic engagement on cyber security. A code of conduct or agreed norms would articulate international expectations on how a nation state behaves in cyber space, and its role and responsibility with respect to preventing, responding to and prosecuting malicious cyber actors.

An international code of conduct would provide the basis for a nation to hold another to account diplomatically for its actions in cyber space and provide a basis for diplomatic or economic sanctions or, in the worst case, escalation to military activities. It is important to recognise that an international code of conduct would not be a panacea for preventing global cyber threats. The difficulty of attribution in cyber space, as well as the difficulty in proving a nation state's complicity in a cyber attack or compromise, means that any code of conduct or international agreement is unlikely to be legally enforceable.

While US concerns about the Chinese and Russian proposal are justified, and likely shared by Australia, Australia should seek to work with China and Russia to progress a code of conduct to an agreeable conclusion. DFAT is already actively engaged in this activity, which represents no additional cost to the Australian Government and should be elevated to a priority task for Australia at the UN. By playing a more active role in driving a solution on cyber security norms, Australia would continue to show leadership both in cyber security and the UN.

Cyber security threat intelligence sharing and incident response cooperation

The CERT-CERT relationships maintained by CERT Australia provide an excellent opportunity for cooperation on incidents affecting multiple nations, and for joint training and exercises. Cyber security is a global issue with many nations facing similar cyber threats. This common threat environment means that like-minded nations would benefit from cooperation and frequent information sharing. The near real-time sharing of information on threats targeting a nation's systems may provide another nation with the detail it needs to identify and prevent current or future threats.

While arrangements are in place to share classified information between Australia and its partners through the relationships operationalised by the Australian Signals Directorate, opportunities to expand sharing to other friendly countries which share similar threats should be explored. While it is true that information sharing needs to be approached with caution to ensure that it is

not used against Australia, this caution should not artificially limit sharing with those where mutual benefit is possible.

The Australian Cyber Security Centre, with oversight from DFAT, should prepare a plan for cyber security information sharing with international partners. It should establish what data the Australian Government is willing to share, with whom, and in what format and timeframes. The plan should also identify what joint training and exercise arrangements agencies are willing to pursue.

For some nations, the Australian Cyber Security Centre may be willing to share detailed technical information on cyber threats detected and undertake joint training and exercises, while for others it may include only general information on cyber threats observed and recommended mitigations to address them. The Australian Cyber Security Centre and DFAT would need to play an active role in the plan's development to ensure agencies do not default to restrictive classification regimes without exploring all the possibilities for sharing. The resulting plan could be used by DFAT when undertaking bilateral or multilateral diplomatic activities to identify mutually-beneficial agreements to further Australia's interests internationally.

This initiative is already the responsibility of the Australian Cyber Security Centre and its member agencies and does not represent any additional cost to the Australian Government. However, the establishment of the Australian Cyber Security Centre provides the Australian Government with an opportunity to challenge existing agency-based thinking on what can and should be shared, and approach the question from a whole-of-government perspective.

Cyber security capacity building in the Asia-Pacific region

The current Australian Government has yet to commit to a detailed strategy for Australia's national security. Prior to the election, it committed to a foreign policy of more focus on the Asia-Pacific region, highlighted by the slogan 'more Jakarta and less Geneva'.⁷⁶ In support of this policy, the Australian Government should seek to enhance its engagement on cyber security in the region.

The Australian Government should develop a plan to prioritise and engage with Asia-Pacific nations to assist them to enhance their cyber security capabilities. While this would provide a benefit for the recipient nation, it is also in Australia's interests. Malicious cyber actors, particularly so-called 'advanced persistent threats', often use 'hop' points in other nations through which they route their malicious activities. These 'hops' are established in countries where the victim may have a more implicit level of trust (or less mistrust), and are used to hide the true identity or location of the malicious actor.⁷⁷

Providing advice and assistance to regional neighbours on cyber security may reduce the occurrence of that nation being used as a 'hop' point, and

provide the Australian Cyber Security Centre and the cyber security industry greater opportunities to identify the true source of an attack. Additionally, the global nature of the activities of the Australian Government and Australian businesses means that their sensitive or valuable information is often located on systems in the very countries that would be the beneficiary of Australia's advice and assistance.

In April 2014, the Australian Strategic Policy Institute (ASPI) released a report titled *Cyber Maturity in the Asia-Pacific Region 2014* that sought to objectively rate the maturity of nations in the Asia-Pacific region based on 'the presence, effective implementation and operation of cyber-related structures, policies, legislation and organisations'.⁷⁸ ASPI also identified a 'cyber engagement scale for government and industry' that can be used as a reference tool for 'identifying opportunities for the sharing of best practice, capacity building, development and business opportunities'.⁷⁹

The Australian Government should use ASPI's work to engage with those nations with a level of maturity that indicates they can effectively use any advice or assistance Australia provides. While improving cyber security in all Asia-Pacific nations is an admirable goal, it is unlikely to be cost effective, value for time and money, nor achievable. The type of advice and assistance provided would differ for each nation. It may be as simple as providing advice or assistance on policy, procedures or structures or it could involve providing capabilities or in-line advisors. The Australian Government has the opportunity to tailor the program based on affordability and to fit with existing priorities of international engagement and development assistance.

International cooperation on the investigation and prosecution of cyber crime

Criminals have been quick to take advantage of the global nature of cyberspace and embrace the opportunities that the interconnectedness of ICT systems and networks provides. While in the physical world a criminal is generally restricted to committing a crime where they are located, this is not the case in cyber space. A cyber criminal in Russia can easily commit a crime in Australia or the US, which for law enforcement represents a significant challenge.

The basic questions of where the crime is committed, that is, whose jurisdiction, whose laws apply and who will prosecute become much more difficult in international cyber crimes. Even when jurisdiction is determined, investigating a cyber crime where the perpetrator and the victim may be geographically separated by half a globe and speak different languages is a further complication.⁸⁰

To address these issues and difficulties, it is critical for Australian law enforcement, in particular the AFP, to foster cooperative relationships with law enforcement

agencies across the globe.⁸¹ As one of the nations that has acceded to and/or ratified the Council of Europe's *Convention on Cybercrime*, Australia participates in a 24/7 global network of high-tech crime points of contact which allows for speedy assistance between signatory countries.⁸² However, given that only 54 nations have signed up to the convention, the vast majority of nations require either a bilateral or multilateral agreement to ensure there is mutual assistance between police to investigate cyber crime.

Australia is currently a party in 25 bilateral treaties.⁸³ However, the processes for mutual assistance are cumbersome and bureaucratic. The Attorney-General's Department has noted that requests for assistance 'can vary from a few days or weeks in very urgent cases to several months or years in cases which require the collection of extensive material, or which relate to complex investigations'.⁸⁴ These timeframes mean that the investigation of multinational cyber crimes and their prosecution, in most cases other than those considered 'very urgent', becomes impractical.

To address this issue, the Australian Government should prioritise within its international engagement and diplomacy, encouraging more nations to accede/ratify the *Convention on Cybercrime* or a similar agreement. The convention includes agreed actions to provide timely support of international cyber crime investigations. Where a nation cannot or will not accede/ratify the convention, Australia should seek a bilateral agreement with that nation, although that is clearly not the preferred approach. This activity should be led by DFAT, with support from the AFP and the Attorney-General's Department, and be undertaken as part of normal diplomatic engagement. As such, it would not require additional funding or resources.

Conclusion

The digital environment is becoming increasingly important to Australia's security and prosperity. At the same time, Australia faces cyber threats from a range of malicious actors, including cyber criminals, issue-motivated groups or hacktivists, trusted insiders, nation state-supported groups and nation states themselves. Malicious cyber actors seek to achieve one or more outcomes when undertaking their activities, including financial gain, gaining attention for a cause or issue, access to classified information or intellectual property, or to disrupt, deny or degrade ICT systems or information for legitimate users.

The combination of the increasing reliance on ICT for Australia's prosperity, the evolving cyber threat environment, the economic and reputational costs of cyber threats, the need to identify fiscally-restrained government initiatives to enhance cyber security, and the opportunity for the current Australian

Government to put its own stamp on this issue means the time is right for the Government to develop a new cyber security strategy for Australia.

Since the 2009 cyber security strategy, the Australian Government has enhanced a number of its own capabilities to address cyber security threats, in particular by establishing two critical operational capabilities in the Cyber Security Operations Centre and CERT Australia. Additionally, in 2013 the establishment of the Australian Cyber Security Centre was announced to bring together operational cyber security agencies to ensure effective and efficient cooperation and engagement with the broader community.

This paper has argued that while the Australian Government has taken significant steps to enhance its own cyber security capabilities, it has not provided the environment that enables it to partner with and leverage the skills and capabilities of other areas of the Australian and international communities.

The Australian Government should issue a new cyber security strategy that shifts its focus from what the Australian Government should do to enhance its own cyber security capabilities, to what the Australian Government should do to enable the cyber security industry, business and critical infrastructure providers and universities to provide a more effective contribution. Additionally, the new cyber security strategy should articulate how Australia will engage with the world to both leverage and provide expertise to address a truly global issue.

This paper has argued that the Australian Government should implement new policies, legislation and regulation to encourage Australian business, the cyber security industry (including ISPs) and critical infrastructure providers to be more proactive in developing or procuring innovative cyber security solutions. This includes implementing four key initiatives. First, introducing mandatory data breach notification laws for publicly-listed companies and businesses that hold personal information of customers and business partners. Second, expanding and mandating the current initiative for ISPs to detect and isolate computers exhibiting malicious behaviour. Third, implementing mandatory cyber security standards for government and critical infrastructure systems. Finally, establishing systems, policies and procedures for the sharing of cyber security threat intelligence and knowledge.

The Australian Government should also refine its approach to enhancing the cyber security workforce in Australia through engagement and cooperation with both the tertiary education sector and the cyber security industry. The Government should implement key initiatives to engage with tertiary education, with the support of the cyber security industry, to promote cyber security as a valuable and rewarding career for students and to encourage institutions to improve the standard and focus of their cyber security courses.

It has also been contended that the Australian Government should review the aims and focus of its international engagement on cyber security and ensure that these activities are given a high priority diplomatically. With cyber threats being a truly global problem, with no respect for national borders, mutual and real benefits are available through cooperation and coordination on cyber security. Key areas of focus for diplomacy and international engagement include the development and implementation of cyber norms, cyber security threat intelligence sharing and joint exercises, cyber security capacity building in the Asia-Pacific region, and international cooperation on the investigation and prosecution of cyber crime.

This paper has identified a number of low-cost or cost-neutral initiatives the Australian Government should pursue to enhance cyber security in Australia. In general, with some refining of approach and priorities, the majority of initiatives identified are achievable within existing organisational structures and resources.

The initiative to encourage cyber security threat and intelligence sharing would seek to partner with an industry provider to share innovation and minimise costs to the Australian Government. It is expected that this initiative could be delivered at zero financial cost (with some in-kind contributions) to the Australian Government. The initiatives to introduce mandatory data breach notification and mandatory cyber security standards would require additional ongoing APS and AFP workforce to manage the delivery of the initiatives and the delivery of advertising and marketing campaigns to ensure businesses are aware of their new responsibilities. Across both initiatives, the total cost in the first year would be approximately \$3.8 million, with a recurring \$2.4 million per year in subsequent years.

Annex A: Malicious Cyber Actors, Desired Outcomes and Examples of Cyber Threats

Malicious Cyber Actor	Description	Desired Outcome	Incident Examples	Actor Examples	Incident Examples
Cyber criminal	Cyber criminals are hostile by nature with variable skill levels. Cyber criminals may be individuals or organised on a local, national or even international level	Financial gain	<ul style="list-style-type: none"> Stealing credit card details or passwords to commit fraud. Gaining access to and selling personal information for identity theft. Ransoming a users data for money 	<ul style="list-style-type: none"> Russian business network 25 year old unemployed Cowra (NSW) man,⁸⁵ 	<ul style="list-style-type: none"> eBay customer data breach CryptoLocker malicious software Alleged breach of 100 or more Australian small business by Romanian cyber criminals.⁸⁶
Issue-motivated group or hacktivist	Seek to disrupt and degrade governments and business to embarrass the target and/or to draw attention to their own cause. ⁸⁷ The most extreme potential group are cyber terrorists who seek to instill fear in their victims. ⁸⁸	Highlight a cause or to gain notoriety	<ul style="list-style-type: none"> Defacing or changing the content of websites. Rending systems or data unavailable to legitimate users to gain media attention. 	<ul style="list-style-type: none"> Anonymous and LulzSec Syrian Electronic Army (SEA)⁸⁹ 	<ul style="list-style-type: none"> Anonymous taking Australian Government systems offline to protest internet filtering legislation. Indonesian hackers targeting Australian Government sites in the wake of the 2013 spying scandal. Hacking and defacement of US media sites by SEA.⁹⁰
Trusted insider	Employees, outsourcing providers, contractors, consultants with logical or physical access to the targeted ICT system. They can be both non-hostile threat agents (ie distracted or unwitting employees) and hostile ones (ie disgruntled employees). ⁹¹	Unauthorised access to information and intellectual property	<ul style="list-style-type: none"> Theft of trade secrets, sensitive plans or business information. Theft of government classified/unclassified information. 	<ul style="list-style-type: none"> Edward Snowden Private Bradley (now Chelsea) Manning 	<ul style="list-style-type: none"> US National Security Agency breach. Leak of US diplomatic cables to Wikileaks.⁹²

Annex A: Malicious Cyber Actors, Desired Outcomes and Examples of Cyber Threats

Malicious Cyber Actor	Description	Desired Outcome	Incident Examples	Actor Examples	Incident Examples
Nation state-supported	Either highly-organised or loosely-affiliated groups of individuals who undertake actions with the tacit support, be that financial or capability support, of a nation state.	Disrupt, deny or degrade access to systems or the information they process	Prevent access to critical infrastructure systems or critical business systems on which a business or government relies; for nuisance or preventing activities not in the attackers' interest.	<ul style="list-style-type: none"> Iran's Cyber Army and Ashiyane Digital Security Team allegedly supported by Iran's Islamic Revolutionary Guard Corps SEA.⁷³ 	<ul style="list-style-type: none"> Anonymous taking Australian Government systems offline to protest internet filtering legislation. Indonesian hackers targeting Australian Government sites in the wake of the 2013 spying scandal. Hacking and defacement of US media sites by SEA.⁹⁵
Nation state	Directly employed by nation states to progress their political, economic, military or diplomatic interests. They are generally the most sophisticated and well-resourced actors and may have a range of capabilities to undertake espionage or disruption. ⁷⁶	Highlight a cause or to gain notoriety	<ul style="list-style-type: none"> Defacing or changing the content of websites. Rending systems or data unavailable to legitimate users to gain media attention. 	<ul style="list-style-type: none"> SEA⁹⁴ 	<ul style="list-style-type: none"> Alleged breaches and theft of intellectual property, sensitive security information and official communications at: <ul style="list-style-type: none"> Lockheed Martin, Australia's Parliament House, and Reserve Bank of Australia.
		Unauthorised access to information and intellectual property	Theft of trade secrets, sensitive plans or business information. Theft of government classified/ unclassified information.	No actor claimed responsibility	<ul style="list-style-type: none"> Stuxnet virus that disrupted Iranian nuclear enrichment, Attack on Saudi Aramco to prevent oil production, and The attack on Estonian systems allegedly by Russian hackers.
		Disrupt, deny or degrade access to systems or the information they process	Prevent access to critical infrastructure systems or critical business systems on which a business or government relies for nuisance or preventing activities not in the attackers' interest.	No actor claimed responsibility	

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Australia-Japan Security Relations: Improving on a 'best friends' relationship

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Abstract

This paper argues that there are two key initiatives identified in Japan's *National Security Statement* for which Australia could play a supporting role to enhance the bilateral relationship and achieve mutual security benefits for both nations. They are 'defense equipment and technology cooperation' and 'building a comprehensive defense architecture to firmly defend Japan'.

It argues that cooperating with Japan on mutually-beneficial defence research and capability projects will benefit both nations economically through better access to markets and by allowing both to gain access to technology and expertise developed in the other nation. It identifies the Joint Strike Fighter (JSF) project as a priority, along with existing cooperative research on maritime hydrodynamics.

In terms of Japan 'building a comprehensive defense architecture', the paper argues that it is not in the interests of either Australia or Japan to pursue a bilateral security alliance. However, Australia should seek to work with Japan to reform and strengthen regional and global security institutions. It identifies that a more proactive and assertive East Asia Summit and a more modern and representative UN Security Council, with Japan playing a larger role in both, would provide significant benefit to both nations.

Introduction

In 2013, Prime Minister Abbott described Japan as both Australia's 'best friend in Asia' and a 'strong ally'.¹ According to the Department of Foreign Affairs and Trade, the relationship is built on mutual economic reliance and a 'shared commitment to democracy, human rights and the rule of law, as well as common approaches to international security'.² In 2007, the Australian and Japanese Prime Ministers signed a joint declaration on security cooperation, which was enhanced in April 2014 by the 'Japan-Australia Economic Partnership Agreement'.³

In addition to the direct relationship with Australia, Japan has a large indirect role in Australia's strategic environment because of its relationships with the US and China. Japan and Australia share a strong security relationship with the US through their respective bilateral security alliances, and both have the US as a major trading partner.⁴ Both also count China as their key economic trading partner.

However, the China-Japan relationship is strained because of territorial disputes, Japan's concerns regarding China's military modernization, and China's view that Japan has not atoned for its actions in the lead-up to and during World War 2.⁵ In its December 2013 *National Security Statement*, Japan identified its security environment as 'becoming ever more severe', identifying a number of challenges, dominated by China and North Korea.⁶

While the Australia-Japan bilateral relationship is strong, this paper will argue that there are two key initiatives identified in Japan's *National Security Statement* for which Australia could play a supporting role to enhance the bilateral relationship and achieve mutual security benefits for both nations. They are 'defense equipment and technology cooperation' and 'building a comprehensive defense architecture to firmly defend Japan'.⁷

'Defense equipment and technology cooperation'

The 'defense equipment and technology cooperation' initiative described in the *National Security Statement* is effectively an opening of Japan's defence industry to global markets. In 1967, Japan had introduced 'three principles' in relation to its arms exports, severely restricting the sale of defence-related goods. In 1976, the principles were further tightened to ban the export of defence equipment to countries that were communist, the subject of UN-sanctions or directly involved in conflict. Exports to other countries were also restrained.⁸

As a result, defence-related industrial firms in Japan have been restricted to competing for Japan's relatively small, internal market. Moreover, most such companies have significantly diversified into other products, with only four per cent of their sales, on average, being for defence-related equipment.⁹ As a

consequence, there has been little incentive to innovate or achieve economies of scale. Contrast this with the global consumer technology market, where Japan is a prolific producer of sophisticated, high-tech products, suggesting that both Japan and the rest of the world may have missed significant opportunities for defence-related innovation and sales because of Japan's export control policies.¹⁰

Increased defence technology cooperation between Japan and Australia, particularly enabled by the economic partnership agreement, will benefit the security and economy of both nations. It will facilitate Australian access to advanced Japanese technology, allow Japan's defence industry access to a much larger market, and provide increased opportunities for the defence industries of both countries to sell to and work collaboratively with each other.

In April 2014, the Australian and Japanese Prime Ministers agreed to develop a framework for cooperation on defence equipment and technology, and specifically to focus initially on marine hydrodynamics.¹¹ In July 2014, the two leaders signed a formal agreement, codifying a commitment to share defence technology and conduct joint defence-related research and development.¹² It also mandated the establishment of a joint committee to allow both countries to mutually determine technologies to share, or projects on which to undertake joint research and development.

The Australian Department of Defence had previously expressed interest in gaining access to Japanese submarine propulsion technology, which potentially would be of significant benefit for Australia.¹³ However, Australia needs to ensure that the selected projects and capabilities represent a clear benefit to both nations. As Peter Jennings of the Australian Strategic Policy Institute (ASPI) points out:

The Japanese want to know what's in it for them—just as we would if they were eyeing a piece of our technology. So an urgent task for Australia should be to demonstrate to Japan that the benefits of collaboration will run both ways.¹⁴

Arguably, the first project on which Australia should seek to work collaboratively with Japan is the F-35 JSF project. In December 2011, Japan selected the JSF as the next-generation fighter capability for the Japanese Air Self Defense Force, potentially involving a number of Japanese defence industrial companies in final production and assembly.¹⁵

With Australia also a partner in the JSF, a mutual benefit may be realised in terms of pricing—due to economies of scale in production—and in the long-term sharing of innovations that the other nation may develop to improve the JSF.¹⁶ In addition, with the Australian Government seeking to be a regional maintenance centre for the JSF, and with Australia's extensive land-based

testing and training areas, mutual benefits could be realised in joint training, exercising and maintenance.¹⁷

'Building a comprehensive defense architecture to firmly defend Japan'

Notwithstanding its significant alliance relationship with the US, Japan's security has largely been predicated on addressing its own specific threats with its own internal capabilities, particularly those provided by the Japanese Self Defense Force. However, in the *National Security Statement*, Japan articulated a policy of becoming a 'proactive contributor to peace', including by becoming more active diplomatically in contributing to regional and global security.¹⁸ It also announced the first increase in defence expenditure for 11 years, with a 0.8 per cent increase in 2013 and a planned 2.6 per cent increase over five years.¹⁹ In addition, Japan has created a National Security Council, to be chaired by the Prime Minister, to facilitate improved coordination within the national security community.²⁰

Despite enhancing its own capabilities, Japan continues to regard the US alliance as the 'cornerstone' of its security, especially in a regional environment which includes a nuclear-armed North Korea and a more assertive and militarily-capable China.²¹ Australia could seek to upgrade its own relationship with Japan to a security alliance. However, that would unlikely provide Japan with any real enhancement over and above its alliance with the US. It would also likely antagonise Australia's key economic partner in China, which already considers the bilateral relationships between the US and Japan, South Korea and Australia as a method of containing its development and as 'the outdated thinking of [the] Cold War structure in the region'; China has also asserted that a 'military alliance which is targeted at a third party is not conducive to common regional security'.²²

Another option would be for Australia to work with Japan to seek reform of existing regional and global security architectures for the benefit of both nations. The primary focus of this effort should be on strengthening existing regional forums as the first priority, and reforming global forums as a secondary activity, albeit more difficult and less likely of success.

Regionally, there are two key security-focused dialogues or forums that contain all of the key nations in the region, namely the ASEAN Regional Forum and the East Asia Summit, both of which have both provided useful opportunities for dialogue and discussion on regional issues.²³ Such dialogue and discussions can be very useful. However, because their focus tends to be on consensual decision-making and non-interference in internal issues, neither has been particularly effective in establishing a true regional approach to security.²⁴

Globally, the key security body is the UN Security Council. Unlike the regional forums, the UN Security Council is a decision-making body, where action is taken based on supported resolutions.²⁵ However, its structure and voting process arguably require reform. Its permanent membership is based on a post-World War 2 legacy, and the veto powers of its permanent members undermine its decision-making effectiveness.²⁶ Asia has only one permanent member, namely China, despite being the region with the most significant economic growth and a number of complex security dilemmas.²⁷ To date, calls for UN Security Council reform have not been successful, largely because current permanent members do not want to lose their relative power, while regional rivals of countries seeking to become permanent members have no reason to see them succeed.²⁸

For its part, Japan has strong claims to a permanent seat on the Security Council, given it is the world's fourth-largest economy and the largest financial contributor to the UN.²⁹ However, to be considered a serious contributor to any multilateral security architecture, it is generally accepted that Japan will need to reinterpret and, in the future, likely revise its constitution.³⁰

Article Nine of Japan's constitution (also known as the 'pacifist clause') has traditionally been interpreted as allowing Japan to defend itself if attacked but not to project force or come to the defence of an ally if it is attacked.³¹ In July 2014, the Japanese cabinet reinterpreted this clause to allow the Japanese Self Defense Force to come to the aid of a friendly country, using the minimum force possible, but only if Japan itself and its citizens are threatened.³² Prime Minister Abe has specifically indicated that this will not be used to allow Japan to become involved in UN-authorized coalitions.³³

However, a regional or global multilateral security institution such as the UN Security Council would reasonably expect Japan not only to be a financial member but also a potential force contributor should another member require support. Japan currently contributes to UN peacekeeping operations but only with significant caveats.³⁴ Prime Minister Abe has publicly expressed his desire to eventually review the constitution to allow 'collective and pro-active self-defence', a fundamental right of a state under the UN Charter. The reality, though, is that any such review would require a two-thirds majority of support in both houses of Japan's parliament, as well as the support of the Japanese people through a referendum, which is considerably more problematic than Prime Minister Abe's rhetoric would suggest.³⁵

Conclusion

The existing Australia-Japan bilateral relationship is strong. The two countries have an existing bilateral declaration on security cooperation dating from 2007 and a bilateral economic partnership agreement that was finalised in 2014. However, in a security environment that Japan considers is 'becoming ever more severe', Australia should continue to identify areas of cooperation with Japan to further enhance the bilateral relationship and achieve mutual benefit for both nations. This paper has argued that initially Australia should seek to support Japan in two key initiatives from its *National Security Statement*, namely 'defense equipment and technology co-operation' and 'building a comprehensive defense architecture to firmly defend Japan'.

Cooperating with Japan on mutually-beneficial defence research and capability projects will benefit both nations economically through better access to markets for their respective defence industries, and by allowing both to gain access to technology and expertise developed in the other nation. The paper has argued that cooperation on the development and implementation of the JSF project should be considered a priority, along with existing cooperative research on maritime hydrodynamics. More broadly, Australia should continue to actively pursue opportunities that represent a mutual benefit to both countries.

In terms of Japan becoming a 'proactive contributor to peace', the paper has argued that it is not in either Australia's or Japan's interest to seek a bilateral security alliance. However, Australia should seek to work with Japan to reform and strengthen regional and global security institutions for the benefit of both nations. In particular, a more proactive and assertive East Asia Summit and a more modern and representative UN Security Council, with Japan playing a larger role in both, would provide significant benefit to both nations in managing regional and global security tensions.

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Russia's Security Influence in Northeast Asia

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Abstract

This paper analyses Russia's security influence in Northeast Asia. It notes that while Russia's security influence in the region declined considerably in the post-Cold War era, its membership of the UN Security Council still provides it with considerable influence and opportunity to frustrate the perceived 'liberal-democratic' agenda of the West, not only in the current, vexed issues of Eastern Europe and the Middle East but also in Northeast Asia.

The paper examines the reasons why Russia does not have greater influence, and assesses Russia's recent attempts to re-engage in Northeast Asia. It outlines the implications for regional security of its prospective re-emergence, assessing that the key factor in determining whether Russia plays a stabilising or competitive role in Northeast Asia will be whether Russia decides that its security goals in its Far East are more important than its economic goals. It concludes that if its longer-term engagement favours geostrategic competition over regional economic cooperation, as recently evidenced in Ukraine, Russia has the potential to further complicate an already complex regional security environment in Northeast Asia.

Introduction

Most of the media's recent focus on Russia has related to its actions in Ukraine, reminding us that it remains an influential and seemingly hegemonic European power, despite the end of the Cold War and the dissolution of the Soviet Union. But Russia also has vast territory in Asia, as well as significant military capability in what it calls the 'Far East'. In addition, Russia's membership of the UN Security Council provides it with considerable influence—and the opportunity to frustrate the perceived 'liberal-democratic' agenda of the West—not only in the current, vexed issues of Eastern Europe and the Middle East but also in Northeast Asia.

Nevertheless, this paper will contend that Russia's security influence in Northeast Asia declined considerably in the post-Cold War era. It will examine the reasons why Russia does not have greater influence, and assess Russia's recent attempts to re-engage in Northeast Asia. It will outline the implications for regional security of its prospective re-emergence and conclude that Russia has the potential to further complicate an already complex regional security environment, particularly if its longer-term engagement favours geostrategic competition over regional economic cooperation.

The decline of Russia's influence

As a key Cold War protagonist and sponsor of communist revolutions across Asia, Russia wielded significant regional influence during the Cold War. But from the early 1990s, Russia's influence in Northeast Asia declined dramatically, notwithstanding its possession of nuclear weapons and nuclear-capable intercontinental ballistic missiles, and its role in the 'Six Party Talks' on North Korea's nuclear program.¹ However, ascribing Russia's decline in the region solely to the end of the Cold War is simplistic and overlooks more complex processes, notably domestic factors within Russia, and Russia's often poor relationships with other regional states.

Domestic factors

The core of Russian history locates Russia on the eastern edges of Europe, and this is where the bulk of Russia's population live. While Russia's territory subsequently expanded to the Pacific Ocean, its focus has historically been stronger in, and more focused on, Europe.² By comparison, the Russian Far East has a population of only around seven million people or 4.9 per cent of Russia's population, although it is the largest federal district in Russia, with an area of 6.2 million square kilometres, representing 36.4 per cent of Russia's entire territory.³

At the end of the Cold War, Russia downgraded a number of its key power projection capabilities in the region (or at least allowed them to wither), as well as withdrawing troops and naval forces from Mongolia and Vietnam respectively, leaving it with fewer options to exercise direct influence.⁴ In particular, Russia's Pacific Fleet declined markedly both in numbers and capability, including the decommissioning of its two ageing carriers, while shortages of fuel and funds for maintenance resulted in much of the fleet remaining in port at Vladivostok, gradually deteriorating.⁵

Another critical factor has been the economic underdevelopment of the Russian Far East, exacerbated by corruption and neglect by Moscow,⁶ resulting in the already sparse population declining 25 per cent in the post-Cold War era.⁷ The reality is that Russia has few people and no major industrial centres on its Pacific seaboard, other than its military footprint, limiting its ability to engage constructively and economically with the region.

Relations with regional states

Russia's often poor bilateral relationships with key regional states have also contributed to its decline in influence. Other than its tenuous relationship with North Korea, it lacks bilateral security relationships such as the US has with Japan and South Korea. Moreover, its relations with all four key Northeast Asian players, China, Japan, South Korea and the US, have essentially been competitive. Its relationship with China has been both complex and uneasy, with both uncertain whether the other should be seen as a potential ally or adversary. Its relationship with Japan has been undermined by their unresolved and longstanding territorial dispute over the Kuril Islands.⁸ Its relationship with South Korea has been overshadowed by Russia's continuing support for the regime in Pyongyang. And the US has treated Russia as largely irrelevant in Northeast Asian security, reinforcing Russia's frustration at its loss of superpower status.

Russia has also not been successful in participating in the regional integration processes, both political and economic, that began to occur in East Asia in the 1990s, which resulted, for example, in it not being invited to join the East Asian Summit until 2011, albeit the US was similarly excluded.⁹ Collectively, these trends—Russia's tendency to be drawn to Europe, its regional retrenchment during the 1990s, the limited development of its Far East, and its poor relations with regional states—have contributed to the decline in Russian security influence in Northeast Asia. However, it is evident that Russia is now taking steps to redress its decline.

Russia's re-engagement with the region – the other 'pivot'?

From about 2009, Russia's interest in its Far East began to dramatically increase, reflecting a newfound confidence and assertiveness in Russia itself, described by some as an underlying agenda to recreate 'Russian greatness' in similar terms to the 19th century Russian Empire.¹⁰ After years of relative neglect, Moscow seems to have assessed that the region's rich natural resources offer viable opportunities for sustained economic development, particularly in the context that the continuing rise of China and its steadily-increasing military capabilities warrant a greater focus by Russia on the Far East.¹¹

Russia's 'pivot'—a term which has been used by several commentators, albeit a year or so after the US began using it—includes a number of features.¹² The first is a focus on regional economic development, including attempts to increase regional trade.¹³ To that end, Russia is diversifying its economic engagement with the region, including by developing a local manufacturing industry to address perceptions that it is predominantly an energy supplier and arms dealer.¹⁴

Another element—addressing its earlier regional retrenchment—is to engage more fully in East Asian economic institutions. In addition to joining the East Asia Summit,¹⁵ Russia has re-invigorated its engagement with the Asia-Pacific Economic Cooperation forum (APEC) and used its role as host of the 2012 APEC Leaders' Meeting as an opportunity to demonstrate its regional links, highlighting its desire to promote the region to foreign investors and APEC partners. While Russia reportedly spent US\$21 billion in redeveloping Vladivostok for the APEC meeting, much of this funding was allegedly squandered on corruption and related criminal activity, highlighting the challenges still facing regional development.¹⁶

A further key element of Russia's pivot is improving its standing and influence in the region. In that regard, Russia has a choice about its role—it can act cooperatively and become a stabilising force, or it can act competitively, leading to greater tension. The outcome will ultimately come down to what Russia wants and how it seeks to achieve this. On the one hand, Russia contends that it wants to develop its Far East economically,¹⁷ which would imply acting in a cooperative manner that supports stability and the economic (and political) integration of the region.¹⁸ There are some positive trends in this direction already, namely the investment in Vladivostok, and in the region's nascent manufacturing industry, including the development of a fighter aircraft production facility.¹⁹

Energy resources also offer significant potential for economic development, particularly if Russia can resolve its territorial dispute with Japan over the Kuril Islands, to capitalise on Japan's energy requirements and access Japanese capital. However, a resolution does not seem imminent. Following a visit by President Medvedev to the Kuril Islands in November 2010, Russia has increased its military presence on the islands, including modernising existing assets and adding new strike capabilities.²⁰ While this modernisation provides Russia with greater regional power projection capability, its military development of the islands and a further visit by President Medvedev in July 2012 would likely have caused concern in both Japan and China, with the potential to undermine regional stability.

Moreover, Russia's actions in Georgia in 2008 and in the Ukraine in 2014 suggest that Russia retains both territorial goals and a tendency to use military force to achieve such goals. Pursuing such approaches in Northeast Asia, where a number of strong militaries are present, would undoubtedly increase regional tension. Again, the choice is Russia's—between military power and potential competition on one hand, and economic development and cooperation on the other. Here again, however, the desire to stimulate economic development runs into another strand of Russia's pivot—reinvigorating Russia's regional military power—which is a key issue in determining Russia's future in Northeast Asia.

At the broader level, Russia's re-emergence is a further complication in an already complicated area. Northeast Asia includes current, former and prospective superpowers (the US, Russia and China respectively), as well as several territorial disputes and identity contests resulting from unresolved 20th century legacies.²¹ However, Russia's re-emergence alone does not fundamentally alter the region's security dynamics.

Possibly more importantly, China now argues that it is Russia's 'gateway to the Asia-Pacific', a sentiment that Russia would find galling.²² The Russia-China relationship is complex, with numerous factors causing tension, while other factors promote bilateral cooperation. One particular issue is that Russia's rich natural resources have prompted fears of an influx of economic migrants from China (and North Korea), potentially leading to irredentist or secessionist claims in the future.²³

Broader factors undermining the relationship include history (notably Russia's hegemonic expansion in the 19th century, and cross-border engagements in the 1960s) and Russian dissatisfaction with Chinese engagement in Central Asia.²⁴ Conversely, both states share interests in countering US influence and in cooperating on a range of economic issues, including Chinese access to Russian energy resources and water.²⁵

In that regard, a key recent development was the signing of a major natural gas deal between Moscow and Beijing, reportedly worth US\$400 billion over 30 years.²⁶ It involves the development of refinery facilities in Vladivostok, as well as construction of a pipeline between Russian gas fields in Siberia to major centres in China, with delivery set to begin in 2018. The agreement had been under negotiation for a number of years. However, its resolution was seen as a political triumph for Russian President Vladimir Putin, particularly in terms of US and European attempts to threaten economic sanctions over Russia's annexation of Ukraine's Crimea peninsula.²⁷ Regardless, it will be a major economic boost for the Russian Far East.

While that deal is being hailed by some as a turning point,²⁸ the Russia-China relationship still has the potential to further evolve either cooperatively or competitively. Some suggest that Russia's re-engagement is dependent on China's willingness to allow it—such as rumours that the recent gas deal was very much in China's favour²⁹—and that Russia depends on China in the region.³⁰ As with other bilateral relationships, the outcome may be more nuanced, with increasing economic integration and cooperation, tempered by more cautious political engagement.³¹ While this may provide the basis for a reasonably stable bilateral relationship, it also has the potential for competition, and obviously will require careful future management by both parties.

For its part, China also needs to consider what it wants from Russia. Russia may provide a valuable partner against the US but will also require its own latitude in international affairs, and may sometimes act in ways counter to China's interests.³² China needs to decide whether it wants Russia to be its regional 'junior partner' or whether it is willing to support Russia in being an independent regional actor. In this sense, China also has a key part to play in shaping the nature of Russia's future regional role.

The other key bilateral relationship is between Russia and the US. Russia has been frustrated by its loss of status *vis-à-vis* the US, reinforced most recently by not being mentioned in the US 'pivot' to Asia.³³ The US and Russia (as part of the Soviet Union) were at odds for over 40 years before the collapse of the Soviet Union facilitated the rise of the US to global pre-eminence. While there are no signs that Russia will again challenge the US globally, its re-emergence regionally does offer some challenges. For example, noting that both Russia and China share interests in countering US influence, there is potential for a partnership capable of limiting US influence and promoting an international system inimical to the rule of law and contemporary Western liberal norms. Georgia and the Ukraine are cautionary tales in this regard.

However, this outcome is not pre-destined and there may be some benefits for the US in Russia's re-emergence in Northeast Asia. For example, there are few physical differences between Pacific Russia and the US Pacific coast, which in itself could facilitate economic cooperation and development.³⁴ Similarly, just as Russia's decline in Asia allowed the Chinese military to focus on the US,³⁵ the reinvigoration of Russian military forces in the region is likely to at least distract the Chinese from focusing largely on the US. As with the Russia-China bilateral relationship, some balance of competitive and cooperative elements is likely. However, the concern is that the basis for cooperation between the two may be weaker than elements favouring competition.

For example, energy forms one of the main components of Russia's economic relationship with China. However, as the US is returning to energy self-sufficiency—and in any case has rarely if ever sourced energy supplies from Russia—this stabilising element does not exist in the Russia-US relationship. Similarly, as Russia and the US do not share a land border, cross-border trade is also far more limited than between China and Russia: in 2009, 38 per cent of Russia's exports to APEC economies, and 44 per cent of its imports, came from China, whereas the figures for the US are 18 per cent and 17 per cent respectively.³⁶

Two further issues may affect Russia's influence in Northeast Asia—the warming of the Arctic, and North Korea. Foreign ships are increasingly using the Northeast Passage through the Arctic as a transit route to Northeast Asia, increasing the region's strategic importance.³⁷ However, while this increases Russia's influence, through control of the passage and its littoral, it also affects Chinese interests, seen through increasing Chinese exploration of the region.³⁸ This provides another incentive for closer Russian-Chinese relations, while adding a further element of potential friction if their relationship deteriorates.

North Korea is an example of the decline in Russian regional influence. Russia was once North Korea's major ally and sponsor, although this relationship ended shortly after the Cold War and has now declined to the point where Russia has limited capacity to influence North Korea.³⁹ Nonetheless, as a member of the Six Party Talks and the UN Security Council, Russia retains a significant role in being able to influence North Korea's future. In addition, North Korea is also important to Russia both as a potential source of labour, and to support energy and transport links to South Korea.⁴⁰ Like China, Russia has a clear interest in preventing the collapse of the North Korean regime. Moreover, as a result of its reduced economic and political influence, Russia may have a greater capacity to act as an honest broker for North Korea—an example where Russia has the capacity to act as a stabilising force if it desires.

Conclusion

Following the post-Cold War decline of Russia's security influence in Northeast Asia, Russia is now re-emerging, and reinvigorating its regional presence both economically and militarily. Sustaining this regional re-emergence will require continued focus and investment, hence the re-emergence is not assured. However, it clearly has the potential to further complicate an already complex regional security environment, although it is largely Russia's choice as to whether it becomes a force for regional stability or whether it promotes competition.

Nevertheless, while the nature of its regional role is largely Russia's decision, other actors have the opportunity to shape Russia's choices. China needs to decide whether it wants to try and subordinate Russia as a regional 'junior partner', at the risk of tension between the two, or allow Russia freedom as an independent actor which, while it may have some negative impacts on China, may promote Russia as a more powerful partner in opposing US influence. The US also has choices. While it often finds itself opposing Russia on issues such as Syria and the Ukraine, a cooperative relationship (if a *modus vivendi* can be found) offers greater opportunities to promote good Russian behaviour and potentially balance against China than a competitive relationship.

Most would agree that a stronger Russia in the Pacific is preferable to a weak one,⁴¹ although states such as the US and China may consider this is only true if Russia decides to pursue cooperative rather than competitive regional relationships. The elements of cooperation clearly exist, focusing particularly on Russian energy exports and facilitating reciprocal foreign direct investment. But Russian foreign and defence policy may not always align with this approach.

Ultimately, the key will be whether Russia decides that its security goals in its Far East are more important than its economic goals, for this will be the key factor in determining whether Russia plays a stabilising or competitive role in Northeast Asia. Current Russian actions in the Ukraine suggest that Russia may be inclined to pursue a competitive approach, leaving open the question of whether it will pursue a similar, destabilising approach in Northeast Asia.

Notes

- 1 For example, Park, Tan and Govindasamy refer to Russia's 'diplomatic impotence in Northeast Asia during the 1990s', while Dittmer describes Russia in 2000 as a 'diplomatic nonentity'. See Chang Kyoo Park, Er-Win Tan and Geetha Govindasamy, 'The Revival of Russia's Role on the Korean Peninsula', *Asian Perspective*, Vol. 37, 2013, p. 130; and Lowell Dittmer, quoted in Stephen Blank, 'The End of Russian Power in Asia?', *Orbis*, Vol. 56, No. 2, Spring 2012, p. 249.
- 2 Viacheslav B. Amirov, 'Russia's Posture in and Policy towards Northeast Asia', in Stephen J. Blank (ed.), *Russia's Prospects in Asia*, Strategic Studies Institute: Carlisle, December 2010, p. 1.
- 3 See <<http://eng.kremlin.ru/terms/E>> accessed 18 April 2014.
- 4 See Alexey Muraviev, 'The phantom of the Pacific: reconsidering Russia as a Pacific power prior to APEC-2012', *Policy Analysis* 95, Australian Strategic Policy Institute: Canberra, 8 December 2011, p. 2; and Dmitri Trenin, 'Moscow on the Pacific: the missing piece in the "pivot" to Asia', *Current History*, October 2012, pp. 270-5.
- 5 See, for example, Olga Oliker and Tanya Charlick-Paley, *Assessing Russia's Decline: trends and implications for the United States and US Air Force*, RAND: Santa Monica, 2002, pp. 61-81.
- 6 R. Craig Nation, 'Russia in East Asia: aspirations and limitations', in Blank, *Russia's Prospects in Asia*, p. 51.
- 7 Mark Hong, 'The Rise of Asia and Russia's Options', in Victor Sumsky, Mark Hong and Amy Lugg (eds.), *ASEAN-Russia: foundations and future prospects*, ISEAS Publications: Singapore, 2012, p. 10. Also Paul Richardson, "'A Germany in the Pacific": the role of Japan in Russia's turn to Asia', UNISCI (Research Unit on International Security and Cooperation, Madrid, Spain) *Discussion Papers*, No. 32, May 2013, p. 217. Gaye Christoffersen, 'Russia's breakthrough into the Asia-Pacific: China's role', *International Relations of the Asia-Pacific*, Vol. 10, No. 1, 2010, pp. 69-70 also cites a similar decline. This trend aligns with a broader decline in the overall Russian population since the end of the Cold War.
- 8 On the territorial dispute, see Alexander Bukh, 'Constructing Japan's 'Northern Territories': domestic actors, interests, and the symbolism of the disputed islands', *International Relations of the Asia-Pacific*, Vol. 12, No. 3, 2012, pp. 483-509; K. D. Kapur, 'Russia-Japan Relations: politico-strategic importance of the disputed Southern Kurile Islands/Northern Territories', *India Quarterly: A Journal of International Affairs*, Vol. 68, No. 4, 2012, pp. 385-405; and Mihoko Kato, 'Japan and Russia at the Beginning of the Twenty-First Century: new dimension to maritime security surrounding the "Kuril Islands"', *UNISCI Discussion Papers*, No. 32, May 2013, pp. 204-14. Dave Sloggett, 'North Pacific Maritime Confrontation', *The Naval Review*, Vol. 100, No. 3, August 2012, pp. 231-6 also provides a useful outline of the strategic implications of this dispute from a naval perspective.
- 9 See Victor Larin, *External Threat as a Driving Force for Exploring and Developing the Russian Pacific Region*, Carnegie Moscow Center: Moscow, May 2013, p. 13. Also see Rangsimaporn Paradorn, 'Russia's Search for an Enhanced Role in Southeast Asia', in Sumsky et al., *ASEAN-Russia*, p. 328.
- 10 Brett Logiurato, 'Bill Clinton Just Gave a Grave Warning About Putin's Plan for Ukraine', *Business Insider Australia* website, 15 May 2014, available at <<http://www.businessinsider.com.au/bill-clinton-putin-ukraine-russia-obama-2014-5>> accessed 19 June 2014.

- 11 See, for example, John W. Parker and Michael Kofman, *Russia Still Matters: strategic challenges and opportunities for the Obama Administration*, Institute for National Strategic Studies, Strategic Forum No. 280, National Defense University: Washington DC, March 2013, p. 6; Muraviev, 'The phantom of the Pacific', pp. 5-6; and Larin, *External Threat as a Driving Force for Exploring and Developing the Russian Pacific Region*, p. 4. Lee suggests that Moscow's fears of the region seceding from Russia played a role (see Rensselaer W. Lee, 'The Russian Far East: opportunities and challenges for Russia's window on the Pacific', *Orbis*, Vol. 57, No. 2, Spring 2013, p. 316, while Rozman suggests a desire to maximise Russian power in relation to China and the US also played a role – Gilbert Rozman, 'Russian Repositioning in Northeast Asia: Putin's impact and current prospects', in Blank, *Russia's Prospects in Asia*, p. 64. In line with renewed military interest in the region, Russia also sought to revive its warm water ports on its Pacific coast; see Park, Tan and Govindasamy, 'The Revival of Russia's Role', p. 127.
- 12 See, for example Parker and Kofman, *Russia Still Matters*, p. 2. Also Baladas Ghoshal, 'The Russian Pivot to Asia Pacific', Institute of Peace and Conflict Studies website, issue brief November 2013, <<http://www.ipcs.org/issue-brief/china/the-russian-pivot-to-asia-pacific-242.html>> accessed 19 June 2014.
- 13 While Russia's trade with the APEC forum economies is concentrated in Northeast Asia, only 24 per cent of Russia's total trade is with APEC. See Carlos Kuriyama, 'Russia's Economic Relations with the APEC Region', in Sumsky *et al*, *ASEAN-Russia*, p. 227; and 'Russia signals shift towards Asia-Pacific at APEC summit', *Jane's Intelligence Weekly*, 10 September 2012.
- 14 See Muraviev, 'The phantom of the Pacific', p. 4.
- 15 In fact, Russia sought membership as early as 2005. On this issue, and the factors that first prevented, and then eventually supported, its accession, see Victor Sumsky, 'The Enlargement of the East Asia Summit: the reasons and implications of bringing Russia in', in Sumsky *et al*, *ASEAN-Russia*, pp. 70-9.
- 16 See 'Russia signals shift towards Asia-Pacific at APEC summit', *Jane's Intelligence Weekly*, 10 September 2012. Also Parker and Kofman, *Russia Still Matters*, p. 6.
- 17 See Amirov, 'Russia's Posture', p. 21 and Park, Tan and Govindasamy, 'The Revival of Russia's Role', p. 126.
- 18 Such an approach might include moderating the military upgrade of the Kuril Islands and concomitantly seeking to resolve the territorial dispute with Japan, which would have great value for both parties – it would provide Japan access to Russian natural gas from Sakhalin Island, while Russia would benefit from Japanese investment into the Far Eastern Federal District; see Kapur, 'Russia-Japan relations', p. 389. Others note that Russia's relationship with Japan is the weakest of its regional relationships, and hence there are benefits in improving bilateral ties: see Richardson, 'Germany in the Pacific', p. 218.
- 19 See Muraviev, 'The phantom of the Pacific', p. 4. Russia has also established a Ministry for the Far East to support the region.
- 20 On Russia's steps to increase its military capability in the Kuril Islands, see Kapur, 'Russia-Japan Relations'; Kato, 'Japan and Russia'; Blank, 'The End of Russian Power in Asia?'; and Sloggett, 'North Pacific Maritime Confrontation'.
- 21 Both Larin, *External Threat as a Driving Force for Exploring and Developing the Russian Pacific Region*, pp. 4-11, and Robert D. Kaplan, *The Revenge of Geography – What the Map Tells Us About Coming Conflicts and the Battle Against Fate*, Random House: New York, 2013, pp. 168-74, discuss some of the history of the Russian Far East and surrounding regions.

- 22 Christoffersen, 'Russia's breakthrough', p. 62. Nation argues that Russia does not want to be subordinate to China in the region; see Nation, 'Russia in East Asia', p. 36.
- 23 This is especially the case noting that Russia and China have historically contested sovereignty over parts of this region – see Larin, *External Threat as a Driving Force for Exploring and Developing the Russian Pacific Region*, especially pp. 4-11. Importantly, the extent and implications of Chinese migration are highly contested. For example, some authors see this as a threat – such as Hong, 'The Rise of Asia', p. 14. On the other hand, some argue that there are more Russians settling in China than vice versa (see Sergei Karaganov, 'Russia's Asian Strategy', in Sumsy et al, *ASEAN-Russia*, p. 350) and that, in any case, Russia needs migrant workers to help economically develop the region – see Maria Teploukhova, 'Russia and International Organisations in the Asia-Pacific: agenda for the Russian Far East', *Security Index*, Vol. 16, No. 2, 2010, p. 79. Of note, Park *et al* suggest there are also up to 20,000 North Koreans labourers working in this part of Russia: Park, Tan and Govindasamy, 'The Revival of Russia's Role', p. 137.
- 24 See Rozman, 'Russian Re-positioning', p. 73 and Nation, 'Russia in East Asia', p. 41.
- 25 Both Rozman, 'Russian Re-positioning', p. 69 and Lee, 'The Russian Far East', p. 319, discuss Russia and China's shared interests in countering the US. Lee also notes the increasing energy cooperation between the two states: Lee, 'The Russian Far East', p. 320.
- 26 See, for example, Alexei Anishchuk, 'As Putin Looks East, China and Russia Sign \$400 billion gas deal', *Reuters* website, 21 May 2014, available at <<http://www.reuters.com/article/2014/05/21/us-china-russia-gas-idUSBREA4K07K20140521>> accessed 20 June 2014.
- 27 Anishchuk, 'As Putin Looks East, China and Russia Sign \$400 billion gas deal'.
- 28 See, for example, Lamont Colucci, 'The Dragon and the Bear Inch Closer: a natural gas deal enhances the strategic partnership between Russia and China', *US News* website, 28 May 2014, available at <<http://www.usnews.com/opinion/blogs/world-report/2014/05/28/whats-driving-the-china-russia-natural-gas-deal>> accessed 20 June 2014.
- 29 See, for example, Elizabeth Buchanan, 'Consumers will win in the Russia-China gas deal', *Business Spectator* blog, 20 June 2014, available at <<http://www.businessspectator.com.au/article/2014/6/20/resources-and-energy/consumers-will-win-russia-china-gas-deal>> accessed 20 June 2014.
- 30 Such authors then take this further, arguing that Russia sees China as a rival and even a threat. See Hong, 'The Rise of Asia', p. 15; Christoffersen, 'Russia's breakthrough', p. 66; and Lee, 'The Russian Far East', p. 319. Parker and Kofman argue that 'Russia knows that any cooperation with China inherently relegates Moscow to a junior partner role, and Russian elites believe that China is liable to treat it far more ruthlessly as an inferior partner'; see Parker and Kofman, *Russia Still Matters*, p. 6.
- 31 This is the prognosis in 'External Affairs, Russian Federation', *Jane's Sentinel Security Assessment*, 29 January 2014.
- 32 For example, Russia's support of secessionist movements in South Ossetia, Abkazia and the Crimea may be inimical to China's interests in retaining sovereignty over both Xinjiang and Tibet.
- 33 On the lack of mention in the US 'pivot', see Trenin, 'Moscow on the Pacific', p. 270. Others have also noted US 'neglect' of Russia's role in the region; see Blank, 'The End of Russian Power', p. 261. However, this trend may be beginning to be reversed. For example, Parker and Kofman note in a recent paper that '[i]gnoring Russia as an irrelevant power has not proved an effective strategy': see Parker and Kofman, *Russia Still Matters*, p. 2.

- 34 Lee, 'The Russian Far East', p. 323. However, it is important to note that the current difficulties in the relationship between the respective 'centres' of both states may inhibit such cooperation. Of note, at p. 315, Lee also notes that the Russian Far East has yet to figure prominently in US security thinking in the Western Pacific, which arguably is something the US should look to remediate.
- 35 Blank, 'The End of Russian Power', p. 259.
- 36 See Carlos Kuriyama, 'Russia's Economic Relations with the APEC Region', in Sumsky et al, *ASEAN-Russia*, pp. 219-44.
- 37 Kato, 'Japan and Russia', p. 208. However, it is important to recognise that while the numbers of ships transiting the Passage is increasing, the overall numbers are still very small. Kato also notes that the increasing use of the Arctic may increase the importance of the Kuril Islands to Russia – p. 212 refers. Parker and Kofman suggest that the warming of the Arctic will facilitate Russia's pivot to Asia – see *Russia Still Matters*, p.7.
- 38 Kato, 'Japan and Russia at the Beginning of the Twenty-First Century', p. 211.
- 39 See Amirov, 'Russia's Posture', p. 11. However, it also needs to be noted that the ability of other states to influence North Korea is also highly questionable.
- 40 On North Korean labourers in Russia, see footnote 23; on potential transport and energy links, see Muraviev, 'The phantom of the Pacific', p. 3, and Paul Richardson, 'Russia in the Asia-Pacific: between integration and geopolitics', *Asia-Pacific Bulletin*, No. 150, East-West Center, 16 February 2012. Reports in April also suggested that Russia was willing to forgive up to 90 per cent of the debt owed to it by North Korea (nearly \$11 billion) to support the construction of an energy pipeline to South Korea: see 'Russia writes off 90 per cent of North Korean debt, expected to build gas pipeline', *ABC News online*, 20 April 2014, available at <<http://www.abc.net.au/news/2014-04-19/russia-writes-off-90-per-cent-of-north-korea-debt/5400274>> accessed 20 April 2014.
- 41 Trenin, 'Moscow on the Pacific', p. 273.

A Contingent Liability: Why resolution of the Senkaku/Diaoyu Islands dispute is in Australia's national interest

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Abstract

This paper examines Australia's national interest in the ongoing dispute between Japan and China over the Senkaku/Diaoyu Islands. It provides an overview of the history of the dispute, and analyses the potential implications for Australia of any escalation between the claimants.

It contends that non-resolution of the dispute could result in an escalation of tension, including the possibility of conflict between Japan and China. It also asserts that any such conflict would likely disadvantage Australia in a number of ways, including an adverse impact on Australia's significant trading relations with the key states in Northeast Asia. It concludes that the dispute presents a 'contingent liability' to Australia, and that Australia's national interest is best served by a non-military resolution to the dispute, based on rule-based negotiation and arbitration.

Introduction

It matters very little to the direct Australian national interest who owns a pile of rocks in the East China Sea. What matters is that Japan and China don't go to war over them and risk Asia's (and hence our) security and prosperity in the process.¹

At a distance of over 7000 kilometres from Canberra, it is not surprising that a collection of five barren, uninhabited islands and three small rocks in the East China Sea do not immediately feature in the forefront of Australians' minds when discussing Australia's national interests.

However, as suggested by Daryl Morini, Australia's security and prosperity could be impacted by the decisions made, and actions taken, by Japan and China to resolve conflict over this island group. Known as the Senkaku Islands to the Japanese, and the Diaoyu Islands to the Chinese, this collection of volcanic rocks has been the source of dispute between China and Japan for over four decades²—and tensions have escalated in recent years.

With China's economic rise commencing in the early 1980s, Chinese military spending has been consistently increasing since the mid 2000s, with a notable 15 per cent increase in its military budget between 2008 and 2009.³ China is rapidly modernising its naval and air forces, with its naval forces shifting focus from direct protection of the Chinese mainland to force projection in the East and South China Seas.⁴

At the same time, Japan is shifting its military priorities from the mainland to the Ryukyu Islands chain, which stretches from Kyushu towards Taiwan, and includes the Senkaku Islands.⁵ Low-level, non-militarised maritime incidents have occurred in the vicinity of the islands on many occasions in the last 40 years but the potential for an accident or military miscalculation to result in larger-scale conflict has increased as a result of the naval build-ups of Japan and China.⁶ With international economic interdependence throughout and beyond the region, East China Sea maritime disputes are no longer a regional issue; they have become a global issue.⁷ Many nations, therefore, have an interest in the resolution of this issue.

This paper will argue that it is in Australia's national interest for the Senkaku/Diaoyu Islands dispute between Japan and China to be resolved through non-military means. Commencing with an overview of the history of the dispute, the paper then analyses the potential implications to Australia of any escalation between the claimants.⁸ It will conclude that the dispute presents a 'contingent liability'⁹ to Australia, with Australia's national interest best served by a non-military resolution based on arbitration and negotiation.

An abridged history of the dispute

Historians, academics and citizens of China and Japan have differing perspectives about how the islands have come into dispute,¹⁰ while their respective Governments cannot even agree that there is a dispute. Japan denies the existence of a territorial dispute, claiming that the islands are an integral part of Japanese territory, while China claims 'indisputable sovereignty' over the islands.¹¹ Regardless of the semantics, it is clear that sovereignty of the islands and control of the area is not agreed between the two nations.

Written historical records date back to at least the early 1500s, in the midst of the Chinese Ming Dynasty. China has often asserted its territorial rights over the islands based on the written historical material of this time.¹² However, as part of the 'Treaty of Shimonoseki' following the Sino-Japanese War, Japan acquired the islands from China in 1895, and control of the islands remained with Japan until the end of World War 2. At the end of the war, the US military took over administration of the islands under the provisions of the 1951 'San Francisco Peace Treaty'.¹³ After the 'Okinawa Reversion Agreement' was signed in June 1971, the islands were handed back to Japan on 15 May 1972.¹⁴

Aware of but not party to the negotiations between the US and Japan regarding the reversion of Okinawa, China formally lodged its claim for the islands on 30 December 1971. Subsequently, in May 1972, the Chinese Ministry of Foreign Affairs issued a statement regarding the US handover of Okinawa, making the following assertions regarding the Senkaku/Diaoyu Islands:

China's claim to this territory is indisputable in every respect – in terms of the islets geographical location and geological structure, historical circumstance, their continuous use over a long period of time, and the law.... Given its sacred duty to protect its territory, the People's Republic of China will never, under any circumstances whatsoever, renounce its claim to the Diaoyutai Islets.¹⁵

Prior to the signing of the 'Okinawa Reversion Agreement', a survey of the seabed of the East China Sea, conducted in 1968 by the UN Economic Commission for Asia and the Far East, and supported by the US Navy, revealed the possibility of oil fields beneath the seabed on the continental shelf to the northeast of Taiwan.¹⁶ Despite this finding and China's claim on the territory, tensions between China and Japan over the region remained relatively benign during the 1970s. Indeed, when the 'Sino-Japanese Treaty of Peace and Friendship' was signed in 1978, both nations agreed to shelve the Senkaku/Diaoyu Islands issue for resolution at a later point in time.¹⁷

Over the three decades from 1978 to 2008, China made militarised and diplomatic threats against Japan on 26 occasions regarding the islands.¹⁸ China has always claimed large regions of the East and South China Seas but

these claims have rarely been associated with serious enforcement efforts. However, the recent growth of the Chinese Navy and Air Force has arguably allowed the Chinese leadership to take a more assertive stance.¹⁹

As the end of 2013 approached, tensions over the islands were at an historic peak, spurred on by nationalism on both sides of the East China Sea. In October 2013, a fleet of seven Chinese Navy ships passed through the contiguous zone separating the Yonagunijima and Iriomotejima Islands.²⁰ While the passage of these ships was most likely a demonstration of China's intent to exercise the 'right of free passage' under UN Convention on the Law of the Sea (UNCLOS) provisions, and not directly related to the Senkaku/Diaoyu Islands issue, the transit emphasised China's increasing naval presence in the region. Then, in November 2013, China announced its creation of an Air Defence Identification Zone (ADIZ) over the East China Sea, with the zone encompassing the Senkaku/Diaoyu Islands, as well as some reefs controlled by South Korea.²¹

While ADIZs are not uncommon, with around 20 countries worldwide having such zones (including Japan), China's imposition of the ADIZ was a significant escalation.²² Japan's response to the ADIZ declaration was restrained. However, it was reinforced by the unannounced and unchallenged flight of two US bombers through the airspace, which arguably also provided an indication of China's current inability or resolve to enforce the ADIZ, at least in relation to the US.

Although Japan's responses to Chinese provocations appear to be mainly rhetorical, John Chisholm nonetheless suggests that Japan's highly nationalistic Prime Minister, Shinzo Abe, has a domestic political agenda which forces him to adopt a 'tough guy' approach to China, and that Abe's 'political right' constituency would likely desert him if he was not sufficiently firm with China.²³ However, Abe's strong rhetoric fuels Chinese domestic politics because demonising the Japanese works well for the Chinese population, as it portrays Japan as obstructing China's natural desire to recover lost territory.²⁴ Richard Tanter suggests that China is projecting its rising military presence in the vicinity of the islands to remind the Japanese Government 'that if your neighbour says there is an argument about your shared fence line, then there is a dispute, and it has to be faced'.²⁵

Implications for Australia

Australia has strong and economically-essential trade relationships with Japan and China; a strengthening economic, security and military relationship with Japan; an important trade relationship with South Korea that relies on open and safe sea lines of communication (SLOC); and a treaty with the US that

could draw Australia into the dispute. All of these issues result in the Senkaku/Diaoyu Islands dispute having potential implications for Australia.

Australia's trade relationship with China is essential to its economic security. China is Australia's largest export market, with \$78.1 billion or 31.6 per cent of the nation's merchandise exports heading to China in 2012-13.²⁶ Major commodity exports include iron ore, coal, gold and crude petroleum, with China receiving approximately one third of Australia's natural resource exports in 2012-13.²⁷ China is also Australia's largest importer, with \$44.5 billion or 18.8 per cent of imports arriving from China in 2012-13, including telecommunications equipment, clothing, computers and furniture.²⁸ China is the leading trade partner for 124 countries but Australia is its largest target for foreign investment, with \$22.9 billion invested in 2012.²⁹ Australia is ranked China's eleventh export market and sixth principal import source and, in 2012-13, total trade between the two nations reached \$122.5 billion.

In 2013, the Australian Government's assessment—articulated in its *Australia in the Asian Century White Paper*—was that 'China's importance to Australia, economically and politically, will only grow in decades to come'.³⁰ In a scenario where Australia's policy position on the Senkaku/Diaoyu Islands issue could displease China, the trade relationship could be adversely impacted, putting Australia in a disadvantageous position. It is, therefore, in Australia's national interest to ensure that the resolution of the Senkaku/Diaoyu Islands issue does not impede the strengthening of its economic relationship with China.

Commencing with a mutually-complementary trade relationship in the post-war period, cooperation between Australia and Japan has similarly continued to expand and now encompasses economic, security and military cooperation.³¹ Japan is Australia's second largest export market, third largest source of imports, and second largest trading partner overall, with a total of \$64.8 billion in imports and exports traded between the two nations in 2012-13. Japanese investment in Australia is also significant, standing at \$126.4 million.³² Security cooperation with Japan is based on a number of factors, including Australia's location in the Western Pacific, a common alliance with the US, a shared interest in maintaining the US presence in the Western Pacific, both being long-established advanced democracies in a politically-diverse region, and the complementary character of their two economies.³³

Defence cooperation between Japan and Australia has also developed rapidly since 1995, resulting in a series of agreements and initiatives, commencing with the 'Joint Declaration in the Australia-Japan Partnership' in September 1995; the most recent agreement was the 'Acquisition and Cross Servicing Agreement' signed in May 2010.³⁴ Australia's relationship with Japan is likely to

become even more important over the coming years in building sustainable security in the region, and efforts to maintain and improve that relationship are clearly in Australia's national interest.³⁵

South Korea is Australia's fourth largest trade partner with \$28.3 billion of imports and exports traded in 2012-13, representing almost 6 per cent of Australia's total international trade.³⁶ The export products are coal, iron ore, crude petroleum and beef, while major imports include refined petroleum, vehicles and consumer electrical products. All major imports and exports travel via SLOC between Australia and South Korea, with the most direct and economical route transiting the East China Sea. Any militarised conflict between Japan and China would disrupt shipping in the region, impacting on Australia's trade relationship with South Korea.

Australia's alliance with the US has the potential to draw Australia into the Senkaku/Diaoyu Islands dispute should the issue degenerate. Although the US does not have a formal position on ultimate sovereignty of the islands, the US acknowledges the Senkaku Islands as remaining under Japan's administrative control and, therefore, that the US is obliged to defend them in accordance with the 'US-Japan Mutual Security Treaty'.³⁷ While the possibility of Australia being drawn into the dispute has generated recent debate in Australia,³⁸ a militarised conflict between China, Japan and the US would clearly not be in Australia's national interests.³⁹

Australia's national security policy is based on eight pillars, three of which are promoting a secure international environment conducive to advancing Australia's interests; the Australia-US alliance; and understanding and being influential in the world, particularly the Asia-Pacific. As noted in the *Australia in the Asian Century White Paper*:

Cooperative relations among the pre-eminent powers in the region – China, India, Indonesia, Japan and the United States – will be fundamental to regional security and prosperity.⁴⁰

Australia has not 'taken sides' in the dispute. However, any escalation would have the potential to generate a significant geopolitical shift in the Asia-Pacific security environment. Australia's policy position and strategy, therefore, needs to be broad enough to cope with the possible range of outcomes.⁴¹ As Richard Tanter asserts, it is in Australia's interest to encourage a rule-based, peaceful resolution to the dispute based on negotiation and arbitration.⁴²

Given the importance of Australia's trade relations with China, Japan and South Korea; the importance of Australia's security and military relationship with Japan; its formal alliance with the US; and the Australian Government's declaratory policy regarding the importance of security and stability in the

Asia-Pacific region; it is in Australia's national interests that the Senkaku/Diaoyu Islands dispute be resolved peacefully.

Conclusion

Non-resolution of the dispute over the Senkaku/Diaoyu Islands could result in ongoing tension and possibly conflict between Japan and China, which would likely disadvantage Australia in a number of ways. Depending on Australia's reaction, its significant trade relationship with China could be damaged or its growth hindered. Australia's steadily improving security, trade and military relationship with Japan could be impeded. Security and stability in the Asia Pacific region would also be disrupted, with potential impact on Australia's trade relationship with South Korea. The benefits of the longstanding ANZUS alliance could also be brought into question. This paper has argued, therefore, that the prospect of conflict over the Senkaku/Diaoyu Islands is a 'contingent liability' for Australia.

In attempting to protect themselves from exposure to similar liabilities, it is axiomatic that corporations, businesses and even households engage in a range of strategies, such as documenting risk management plans, implementing risk management procedures, taking out insurance to transfer the risk, and continually monitoring risk exposure over time. However, Australian foreign policy on the Senkaku/Diaoyu Islands dispute would currently seem somewhat non-committal, with one commentator suggesting that 'prudence and even-handedness don't equate to a diplomatic strategy'.⁴³ Given the strategic importance of this particular contingent liability, Australia should arguably do more to ensure that its national interest is best served by peaceful resolution of the Senkaku/Diaoyu Islands dispute, based on rule-based negotiation and arbitration.⁴⁴

Notes

- 1 Daryl Morini, 'How we can Prevent Japan-China War', *The Strategist* website, 28 February 2013, p. 1, available at <<http://www.aspistrategist.org.au/how-we-can-prevent-japan-china-war/>> accessed 11 March 2014.
- 2 Krista E. Wiegand, 'China's Strategy in the Senkaku/Diaoyu Islands Dispute: issue linkage and coercive diplomacy', *Asian Security*, Vol. 5, No. 2, 2009, pp. 170-2.
- 3 Kazuhiko Togo, 'Regional Security Cooperation in East Asia: what can Japan and Australia usefully do together?', *Australian Journal of International Affairs*, Vol. 65, No. 1, 2011, p. 42.
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China-India: An analysis of the Himalayan territorial dispute

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Abstract

This paper examines the dispute between China and India over their shared Himalayan border. It assesses that the likelihood of a major Sino-Indian conflict over the border is remote, notwithstanding the ever-present possibility of limited skirmishes and territorial forays. It argues that there are significant constraining factors that will limit military assertiveness and the effects of miscalculation by either side for the foreseeable future.

The paper concludes that the current strategic stalemate along the 'roof of the world' will continue to result in a relatively stable but tense security *status quo*. However, it also notes that an ongoing, seemingly intractable dispute between the two most populated countries in the world is not conducive to longer-term regional stability.

Introduction

At the geo-political level, China and India have much in common. Both are ancient civilisations that carry the scars of past imperial conquests. Both are rapidly modernising and regaining their status as global trading and economic powerhouses. And they are the two most populated nations—collectively home to over one-third of the world's population.¹ Yet despite these commonalities, China and India have been unable to resolve their shared boundary. The simmering tension, which continues to exist along the Himalayas, has been described as both 'puzzling'² and 'a paradox'.³

China shares a border with more countries than any other state.⁴ Since 1949, it has also had border disputes with every one of its 20 neighbours.⁵ Yet China has also resolved its border disputes with many of them, including Myanmar (1960), Nepal (1961), North Korea (1962), Mongolia (1962), Pakistan (1963) and Laos (1991).⁶ It has even managed to reach territorial settlements with former enemies, notably Vietnam (1999) and Russia (1991-94).⁷

In some cases, these disputes were settled according to international norms through 'peaceful and concessionary diplomatic approaches based on mutual understanding'.⁸ In others, such as with Russia and Vietnam, resolution only occurred following armed conflict. Moreover, in reaching its settlements, China has usually received less than 50 per cent of the land in dispute.⁹ So why then, if China can compromise on some territorial disputes, has resolution of the Himalayan dispute with India proven so difficult?

The aim of this paper is to answer this question, and assess whether the Himalayan stalemate is set to continue. For 'despite the large numbers of agreements, summits, and confidence building measures, the border dispute endures'.¹⁰ Neville Maxwell notes that:

[T]he border dispute between India and China stands exactly where it did when it first emerged half a century ago. There have been no negotiations, just numerous rounds of 'fruitless talks'. Each side maintains claims of large tracts of the other's territory.¹¹

This paper is focused on the Sino-Indian border but also briefly addresses the other element to the Himalayan dispute, namely the Sino-Bhutan border and the role that this relatively small disputed border plays in the broader Sino-Indian relationship.

Part 1 examines the origins of the Himalayan dispute and the geo-strategic circumstances of the disputed Sino-Bhutan border. From this, the key factors that shape the dominant Sino-Indian border dispute are further analysed. Part 2 examines the geo-political status of Tibet and the central role of Tibet in the

Sino-Indian relationship, as well as its influence in perpetuating the Sino-Indian border dispute. Part 3 more broadly examines the salience of the border in terms of the national identities of China and India and their diplomatic relationship.

Part 4 then analyses the military aspect of the relationship and, in particular, the state of conventional and nuclear deterrence that has been established by the military modernisation programs of both states. Part 5 analyses the concept of economic interdependence and whether the Sino-Indian economic relationship supports Richard Rosecrance's 'liberal economic peace theorem',¹² specifically examining their trade relationship to determine if economic interdependence between the two is likely to contribute to preventing conflict and resolving the dispute through peaceful means.

The paper concludes that while territorial disputes have been described as the 'root causes of war and conflict between states'¹³ and 'the most systematic source of interstate conflict in history',¹⁴ the likelihood of a major Sino-Indian conflict over the border is remote. Notwithstanding the ever-present possibility of limited skirmishes and territorial forays, it will be argued that there are significant constraining factors that will limit military assertiveness and the effects of miscalculation by either side for the foreseeable future. It seems likely, therefore, that the strategic stalemate along the 'roof of the world' will continue to result in a relatively stable, though tense, security *status quo*.

Part 1 – The origins of the Himalayan border dispute

Figure 1 illustrates the disputed Sino-Indian border (shown in red).¹⁵ At a little over 4000 kilometres long,¹⁶ the border stretches from the barren Aksai Chin plateau in the west (administered by China but claimed by India as part of the Ladakh district of Jammu and Kashmir), through to the former kingdom of Sikkim in the middle section, and across to the eastern Indian state of Arunachal Pradesh (administered by India but claimed by China as 'South Tibet').¹⁷

Figure 1: The disputed Sino-Indian Himalayan border¹⁸



The origins of the Himalayan border dispute stem from a combination of difficult terrain, nascent survey technology, the absence of a functioning Tibetan state and the craft of British Imperial map-making writ large. In 1914, at the Anglo-Tibetan Simla Conference, the British colonial authorities drew the McMahon Line (named after the chief negotiator Sir Henry McMahon), which established the boundary between British India and Tibet.¹⁹ Although Chinese representatives were present at Simla, they refused to sign or recognise the accords 'on the basis that Tibet was under Chinese jurisdiction and therefore did not have the power to conclude treaties'.²⁰

After independence in 1947, India made the McMahon Line its official border with Tibet. However, following the 1950 Chinese invasion of Tibet, India and China came to share a border that had never been 'delimited by treaty, let alone between the post-colonial regimes of the Republic of India and the People's Republic of China'.²¹ Consequently, China viewed the McMahon Line as an illegal, colonial and customary borderline, while India considered the Line to be its international boundary.²²

Following a brief period of *détente* after India's independence, the relationship between India and China soured in the early 1950s under the respective leaderships of Prime Minister Nehru and Chairman Mao. On signing the '1954

India-China Agreement on Trade and Intercourse between Tibet Region of China and India', Nehru and his associates 'thought that the boundary was no longer an issue and that the Chinese accepted the historical status quo'; effectively, Nehru imagined a 'trade-off between Tibet and the border'.²³ However, from a Chinese perspective, there was no trade-off, real or imagined, and the Chinese position has steadfastly remained that India's recognition of China's sovereignty over Tibet, and China's acceptance of the former colonial McMahon Line, were not connected issues.²⁴

Armed conflict erupted between the two nations in 1962. During the month-long war, Chinese forces advanced deep into Indian territory in Ladakh and Arunachal Pradesh, before withdrawing back to their previous positions along the so-called Line of Actual Control.²⁵ The 1962 war left India with a deep sense of embarrassing defeat and continues to act 'as a traumatic moment for India's elite'.²⁶ As such, it remains 'very much a part of the contemporary discourse on the dispute'.²⁷

Today, China maintains that the McMahon Line effectively sees India occupying some 90,000 square kilometres of its territory in the Indian state of Arunachal Pradesh. India, on the other hand, claims that China is 'occupying 38,000 square kilometres of land in Aksai Chin in the North Eastern corner of Jammu and Kashmir'²⁸ and a further '5180 square kilometres of land in Kashmir ceded to it by Pakistan in 1963'.²⁹

In essence, Britain's colonial legacy 'sowed the seeds of discord' in the Sino-Indian relationship.³⁰ However, the McMahon Line, the 1962 war and China's subsequent border settlement in Aksai Chin with Pakistan, do not in themselves explain the intractable nature of the dispute. Moreover, as there are 'established principles of international law and practice that provide the means and process for boundary settlement', China and India certainly have the mechanisms at their disposal to deal with the 'cartographic surgery' of the early 20th century.³¹ However, the likelihood of both sides embarking on a process of negotiation, compromise, delimitation, demarcation and finally a treaty would seem to be virtually non-existent, given the intractability of their respective positions.³²

Hence, despite over 30 years of regular dialogues, Sino-Indian border issues remain complicated and difficult.³³ To understand these complexities and difficulties, a study of the drivers and dynamics at play with the smaller border dispute between China and Bhutan is a useful gauge, not least as it keenly demonstrates the geo-political realities of great power rivalry in the foothills of the Himalayas.

The Sino-Bhutan border dispute

In comprehensive power terms, the tiny Himalayan kingdom of Bhutan has been described as 'almost a non-entity to China'.³⁴ However, by virtue of three key features of its geography, Bhutan is of vital strategic importance to both China and India. First, Bhutan has no access to either the sea or another third country without passing through either Chinese or Indian land or airspace.³⁵ Second, Bhutan controls a number of Himalayan passes that serve as overland routes for the two great powers. Third, Bhutan is a strategic buffer for the Siliguri Corridor (or 'chicken's neck') which is the narrow tract of land, between 20 and 60 kilometres wide, that connects India's northeastern states with the rest of the country.³⁶

Bhutan and China share a 470 kilometre long border.³⁷ Since 1984, annual border dialogues have reduced the size of the disputed territory from 1128 square kilometres to just 269 square kilometres in three small areas in Bhutan's northwest.³⁸ However, notwithstanding this achievement and the 1988 signing of 'The Five Principles of Peaceful Coexistence' by Bhutan and China, final settlement remains a distant prospect.³⁹

The reason for the stalemate is essentially the strategic implications for India and Bhutan of accepting China's 'package deal' settlement, which consists of a territorial exchange rather than a traditional sectoral approach to border resolution.⁴⁰ In essence, the exchange would involve China trading 495 square kilometres of territory in the central Bhutan border area in return for 249 square kilometres of territory in northwestern Bhutan. The latter is where the territories of India, Bhutan and China intersect in an area called the Doklam Plateau, adjacent to the Chumbi Valley.⁴¹

For India, the deal would bring the Chinese to within 500 kilometres of the Siliguri corridor,⁴² and offer China a 'commanding view' of Indian border defences and 'provide a launch pad to progress operations into the Siliguri corridor'.⁴³ As a result, there are fears that the underlying motive for China's quest to resolve the disputed border 'seem[s] not to be on the basis of traditional usage or history but owing to the strategic nature of the western border'.⁴⁴ Moreover, the Sino-Bhutan border negotiations appear to be part of a larger Chinese strategy in South Asia, whereby 'China wants to gain as much as possible in the western sector of the dispute with Bhutan',⁴⁵ reflecting the view of several commentators that 'boundary settlement for China is about strategic enhancement'.⁴⁶

For Bhutan, acceptance of a speedy border settlement remains 'an end in itself'.⁴⁷ Medha Bisht expands on this view and notes that 'Bhutan's urgency to demarcate its boundary with China reflects its desire to be an independent actor positively engaged in the region'.⁴⁸ However, acceptance of the Chinese

deal would have profound implications for the Himalayan kingdom. For the local Bhutanese people, the deal would mean giving away rich pastoral land 'which is important to the livelihoods of people dependent on the area'.⁴⁹ Acceptance of China's deal would also, in all likelihood, breach Bhutan's 2007 'Friendship Treaty' obligations with India.

In this treaty, both nations agreed to 'a provision that neither country would allow its territories to be used for activities inimical to the other'.⁵⁰ As well, Bhutan and India share 'intimate bonds in the areas of foreign affairs, economy, trade, education and technology, as well as national defence and security'.⁵¹ So it is unlikely that Bhutan would agree to terms which could have such far-reaching negative implications for India. Indian investment and strategic culture permeate all aspects of Bhutan's development, hence the catch-cry that India is Bhutan's 'most dependable and generous development partner'.⁵² This dependence means that any detrimental changes to India's strategic settings would invariably translate negatively for Bhutan.

As a result of these complex dynamics, Bhutan finds itself 'caught between the rivalries of two regional giants'.⁵³ From time to time, this rivalry plays out in Bhutan's favour. For example, India has stepped up its economic assistance programs in Bhutan in response to growing Chinese investment projects, such as the planned extension of the Tibet rail network into the country.⁵⁴ At other times, Bhutan has had to contend with the Chinese pressure tactic of border incursions to bring it to the negotiation table.⁵⁵ This tactic has led some to describe China's policy towards Bhutan as a pattern of 'military intimidation followed by diplomatic seduction'.⁵⁶

Bhutan's border problem remains its biggest security challenge and, more broadly, an issue that is set to define its future as a nation state.⁵⁷ However, as 'mutual suspicion'⁵⁸ is a hallmark of Sino-Indian relations, it is difficult to see how Bhutan could agree to the Chinese deal given its 'critical security implications for India'.⁵⁹ For this reason, above all others, the remaining 269 square kilometres of disputed territory is likely to remain unresolved for the foreseeable future. Thierry Mathou ventures further and suggests that until there is complete normalisation of Sino-Indian relations, Bhutan's treaty commitments to India would make any agreement with China infeasible.⁶⁰

Beyond the dynamics of Sino-Indian great power rivalry and the problems bestowed by geography for strategically-important buffer states like Bhutan, the Sino-Bhutan border dispute also points to a far more complex aspect of Himalayan geo-strategic politics—namely the role of Tibet. Bhutan and Tibet have a long and complex history and continue to share common cultural and religious bonds based on Tibetan Buddhist ideology.

For China, the Tibetan link with Bhutan is a powerful force in the dispute, as settlement of the border and the cross-border movement of people could help to legitimise China's rule in Tibet and vindicate its Tibetan policies.⁶¹ For Bhutan, in the absence of settlement progress, its continued cautious policy of non-advocacy of Tibetan causes could also aid in the normalisation of Sino-Bhutanese relations and lead to economic benefits from China's 'Western Development Strategy'.⁶²

In the context of the broader Sino-Indian border dispute, Tibet is also a driving factor that connects the wider strategic, nationalist and geopolitical narratives.⁶³ Consequently, this paper now turns to analysing the Sino-Indian border dispute itself, commencing with an examination of Tibet.

Part 2 – Tibet

The centrality of Tibet's role in the Sino-Indian border dispute is the subject of much academic discourse. Mohan Malik contends that Tibet lies at the heart of Sino-Indian relations and that it is 'the key to understanding Beijing's stance on the China-India territorial dispute'.⁶⁴ He further notes that 'China's territorial dispute with India is inextricably linked with the past, present and future status of Tibet'.⁶⁵ Dawa Norbu supports this view and states that 'Tibet has shaped the informal and invisible dynamics of Sino-Indian relations and politics from the 1950s ... [and that] Tibet is the legal foundation on which both India's and China's border claims rest'.⁶⁶ Norbu also notes that:

[T]he crux of the Sino-Indian strategic rivalry is this: if the Chinese power elite consider Tibet to be strategically important to China, the Indian counterparts think it is equally vital to Indian national security.⁶⁷

The above statements beg the question of what makes Tibet so important to China and India that it prevents resolution of the border dispute.

The aim of this part of the paper is to answer that question by analysing the relevant factors in relation to Tibet that impact the Sino-Indian relationship and particularly the border dispute. In the first instance, it reviews Tibet's geo-strategic importance, drawing on its history, geography and resource wealth which, in many ways, define why Tibet 'is a perfect candidate for great power wrangling'.⁶⁸

It then examines the broader geo-political issues surrounding Tibet. These issues are largely centred on India's 'conditional' acceptance of Chinese sovereignty and its support to the Tibetan community in exile, both of which feed Chinese insecurities.⁶⁹ It concludes by assessing how these geo-political issues contribute to the conditions of stalemate, mutual deterrence and restraint along the length of the disputed Himalayan boundary.

Tibet: a source of great power rivalry

Relationships with India and China dominate the history of Tibet, and Indian influence permeates Tibetan history, culture and religion.⁷⁰ Consequently, an orientation towards India is woven into the fabric of Tibetan society. In contrast, Chinese influence stems from around 640 AD and is characterised by bitter territorial conquests between competing Tibetan and Chinese dynasties and the ritual obeisance of the imperial Chinese tributary system.⁷¹ John Garver observes that 'both Indian and Chinese nationalists see Tibet as within their historic sphere of influence', which invariably leads to 'a clashing of nationalist narratives' between the two great powers.⁷²

The salience of Tibet to China and India is also rooted in Tibet's geo-strategic setting. Norbu argues that Tibet was invaded by China not just 'on historical pretext but primarily on strategic grounds' as it constituted an 'open backdoor to China' for India.⁷³ China's concerns over the ease with which the Tibetan Plateau could be used by India are explained as:

[O]nce Tibet became independent and was forced to ally itself with India, India would [be able to] advance thousands of kilometres ... into central China, and its missiles [would be] able to hit all China from the Tibetan Plateau.... So it is obvious that for China to lose such a vast barrier ... would be unacceptable from a national security perspective. Preparing for a possible future conflict with India is the bottom line as to why the Central Government cannot allow Tibetan independence.⁷⁴

Sherya Das echoes these sentiments and notes that China's dominant fear when it comes to Tibetan autonomy or independence is that in the case of a Sino-Indian war, Tibet would ally with India as a 'natural choice', which could bring Indian forces to within '100 [kilometers] from central China and Sichuan province'.⁷⁵

India, however, also harbours fears founded on Tibet's geo-strategic setting. China's annexation of Tibet 60 years ago removed India's 'political buffer'.⁷⁶ And because of China's 'Western Development Strategy', India now sees the 'the network of airstrips and airbases that China has built throughout the Tibetan Plateau', along with other widespread infrastructure development projects, as providing the logistical wherewithal for a Chinese invasion across the border.⁷⁷ Thus Tibet's geo-strategic setting is effectively the source of 'the mutual threat perception and alignment patterns 'that dominate the Sino-Indian relationship'.⁷⁸

Beyond its buffer-zone geography, economic forces also shape the Tibetan Plateau's strategic value. Warren Smith asserts that 'ever since China first gained control over Tibet, Chinese leaders have openly admitted that they coveted Tibet's mineral wealth'.⁷⁹ Tibet, or *Xi Zang* in Chinese, literally means 'western treasure house'.⁸⁰ The Tibetan Plateau is estimated to hold approximately 40 per cent of China's mineral resources, including coal, gold, lithium and copper.⁸¹ It is also the world's third largest fresh water repository, after the polar

icecaps, and is the source of most of Asia's major river systems, including the Yellow, Salween, Irrawaddy, Yangtze, Mekong, Brahmaputra and Indus Rivers.⁸²

The value of these resources has two key aspects that shape the Himalayan security environment. First, as a country of scarce resources that sustains a 'water-stressed economy', China views Tibet as a vast area of potential economic wealth to be exploited in support of its national developmental goals.⁸³ Put simply, China's objective for Tibet is 'to transform it into China's resource colony', as Beijing 'cannot afford to loosen its grip over its 'western treasure house'.⁸⁴

Second, the issue of water management (for projects such as flood control, irrigation and hydroelectric power) offers China the potential for enormous influence and leverage over downstream riparian states, such as India, Nepal, Bhutan, Bangladesh, Pakistan, Vietnam, Burma, Cambodia, Laos and Thailand.⁸⁵ Moreover, China's plan to dam the Brahmaputra River in Tibet 'features heavily in Indian security calculations', given that the consequences of China 'turning off the tap' upstream could be famine in northeast India.⁸⁶ Overall, by virtue of its resource potential, Tibet is a potent source of both direct and latent Chinese power and influence throughout South Asia.

Tibet: political factors that link to stalemate, deterrence and restraint

The historical, geographical and resource factors that underscore Tibet's strategic value inform, at least in part, some of the reasons for the Sino-Indian rivalry that feeds their border dispute. That said, the legacy of Chinese actions over 60 years ago also plays a major role in perpetuating the stalemate. In 1951, according to Beijing, the People's Liberation Army (PLA) 'liberated' Tibet from the 'British imperialists and their Indian heirs and pupils'.⁸⁷ According to the Tibetan government in exile, 1951 marked Tibet's invasion by China, an action which changed Tibet's status from an independent nation to 'an occupied country, without United Nations representation'.⁸⁸

While India recognised Tibet as part of China as far back as 1954, its recognition was 'conditional upon Tibet's enjoyment of autonomy'.⁸⁹ Yet it is precisely the absence of autonomy that has led India to not give the Chinese the clear and unambiguous statements regarding their sovereignty over the Plateau that Chinese interests so desire.⁹⁰ Furthermore, India also plays host to the Tibetan government in exile, including its leader the Dalai Lama, and offers sanctuary to over 100,000 Tibetan refugees.⁹¹ This remains a sore point for China and is seen as direct interference in China's internal affairs.⁹² China perceives a strong exiled Tibetan community as the root cause of Tibetan separatism; India, therefore, as the host nation for the government in exile, is seen as a 'hub of Tibetan separatism'.⁹³

In order to contain these forces, Garver suggests that the Chinese 'want to keep the dispute alive so as to pressure India not to allow the exiled Tibetans to create instability inside China.⁹⁴ He surmises that China's logic is that if the territorial dispute was settled and 'no longer weighed heavily on Indian calculations', then India may be impelled to take 'reckless action' regarding Tibet.⁹⁵ In this way, the active border dispute is actually a lever, which China can use against India to deter any aggressive Indian actions toward Tibet.⁹⁶

From an Indian perspective, Tsering Topygal theorises that it is the status quo of the Tibetan government in exile that provides India with leverage over China in the border dispute. He speculates that if the Dalai Lama returned to Tibet, he would 'come under Beijing's pressure to support its boundary claims', resulting in China's border claims gaining more legitimacy.⁹⁷ Hence, for India, nurturing the Sino-Tibetan deadlock is fundamentally in its national interest, as the Dalai Lama and his government in exile ('whether voluntarily or due to gentle prodding from the Indian authorities') effectively support India's border claims.⁹⁸

More broadly, Tibet can be seen as the source of the mutually-deterrent conditions that feed the border stalemate and restrain the dispute from escalating. In India's case, China appears to have the logistical upper-hand because of its Tibetan bases, airfields, roads and rail infrastructure which could serve as a ready network of forward operating points for any conflict.⁹⁹ This perception of relative Chinese military advantage when compared to the infrastructure of India's border territories acts as 'a restraining factor against any Indian adventurism'.¹⁰⁰

Furthermore, a hostile local Tibetan population 'performs the same function in the case of Chinese adventurism'.¹⁰¹ Norbu asserts that:

[A]s long as the Tibetan people are not reconciled with the Chinese rule in Tibet and continue to remain resentful of Chinese presence on the plateau, it is not prudent for China to get involved in a border war with India because such a war in the context of a resentful Tibetan population might prove like fighting a war on two fronts.¹⁰²

For China, a border war with India is inextricably linked to the security of Tibet. Hence, in the absence of a pacified and 'Sinicised' Tibet, 'China prefers an undefined border as a bargaining chip because of its suspicions that India prefers an independent Tibet and aids Tibetan separatists'.¹⁰³ This position is set to endure given that 'from Beijing's perspective, any weakening of the Chinese stand on Tibet could mark the beginning of their losing control over China's restive periphery consisting of Tibet, Xinjiang and Inner Mongolia'.¹⁰⁴ The net effect, therefore, of China's enduring stance on its territorial integrity is to constrain and deter any military action against India along the disputed border.

In summary, 'there are analysts in both China and India who counsel that a resolution of the Tibet issue one way or the other holds the key to not just solving the border row, but easing the larger strategic rivalry'.¹⁰⁵ Yet for the foreseeable future, given the security settings of China and India, Tibet will continue to be the 'bilateral bone of contention that makes compromise on the border dispute virtually impossible'.¹⁰⁶ Furthermore, the border conflict with India will remain 'a thorn in the side of Beijing, complicating its objective to incorporate Tibetans as part of the Chinese nation'.¹⁰⁷

However, while Tibet may very well be the key to the border issue, Tibet also hints at other, perhaps less obvious dynamics, which also play a role in the dispute. These include the roles of national identity and the Sino-Indian relationship, as well as the complex interplay of military and economic power. This paper now turns to those factors.

Part 3 – Identity and the Sino-Indian relationship

National identity – its role in the border dispute

In a 2011 speech on 'War, Peace and National Identity', former Australian foreign minister Gareth Evans identified that 'national, ethnic and religious identity have been major drivers of deadly conflict both between and within states in the past' and that 'identity driven tensions still remain enemies of peace in a number of parts of the world'.¹⁰⁸ So what part, if any, do the national identities of China and India play in the perpetuation of the Sino-Indian border dispute? And what hope do they offer, if any, for an end to the stalemate and final resolution?

This part of the paper examines these questions and begins with a study of the common characteristics that feature in both nations' sense of identity—in particular, the notion of civilisation. Next, the common narrative of Chinese and Indian victimhood and entitlement is explored and the role that this self-perception plays in perpetuating the border stalemate. Finally, the salience of the dispute for both nations' political elites is analysed along with its linkages to their relationship and prospects for resolution.

Civilisation, victimhood and entitlement

Deepa Ollapally asserts that 'the key components of India and China's national identity are highly consistent with each other, especially on values of sovereignty, autonomy, and civilisational entitlement'.¹⁰⁹ She notes that this combination of values and normative outlook 'produces a strong nationalist impulse in the foreign policies of both countries' which, in turn, leads India and China to have 'a meeting of minds on a variety of global issues'.¹¹⁰ For example, the foreign policy settings of both nations are underscored by five longstanding tenets, known as

the 'Five Principles of Peaceful Co-existence', which include mutual respect for sovereignty and territorial integrity, mutual non-aggression, non-interference in internal affairs, equality and mutual benefit, and peaceful coexistence.¹¹¹

So why then, if national identities support like-minded settings and agreement on global issues, do these similarities not assist in resolving the border dispute? The answer, at least in part, can be distilled from an understanding of Ollapally's term 'civilisational entitlement'.

Both China and India are two of the world's oldest and most resilient continuing civilisations.¹¹² For India, its civilisational status has created a dominant historical narrative which is 'domestically tolerant and pluralistic, and externally non-aggressive and non-interventionist, with its sphere of influence based on culture, values and, to some extent, trade'.¹¹³ For China, its civilisation status is rooted in elements of the Middle Kingdom, in which China 'sits as equal to no-one', culturally superior and surrounded by either hostile or subordinate states.¹¹⁴ Hence, Indian and Chinese national values are shaped by their respective perspectives of civilisation, whereby 'India embraces heterogeneity, accommodation and pluralism', and 'China worships homogeneity and uniformity'.¹¹⁵

Malik contends that the notion of being 'civilisation-states', and not just former 'empire-states' or modern day 'nation-states', also drives the strategic culture of China and India.¹¹⁶ Specifically, the possession of civilisation status drives Chinese and Indian leaders to regain the power and status befitting of 'their countries' size, population, geographic position and historical heritage'.¹¹⁷ This sense of entitlement, derived from past greatness and deprived by outsiders, helps to explain the inherent value that China and India place on territory, past wrongs and restitution.

A sense of victimhood also features in both national identities. China's victimhood is encapsulated in its 'century of national humiliation'—a time of 'opium wars, lost territories, colonial conquests, territorial [con]cessions, heavy indemnities and massacres of Chinese by foreigners'.¹¹⁸ India's narrative of victimhood is similarly focused on strife and turmoil—the foreign institution of religious violence, imperial conquests, exploitative trade practices and 'a century of rule by an alien race and culture'.¹¹⁹

Manjari Chatterjee Miller maintains that 'the traumatic transformative historical event of extractive colonialism' is the root cause of China's and India's emphasis on victimhood and entitlement.¹²⁰ She argues that the dominant goal of state victimhood is 'the desire to be recognised and empathised within the international system as a victim'.¹²¹ She further contends that 'the goal of victimhood carries with it two subordinate goals: maximising territorial sovereignty and maximising status'; collectively, Miller refers to these attitudes as forming a 'post imperial ideology'.¹²²

The Sino-Indian border presents compelling evidence that demonstrates how the shared forces of victimhood and entitlement contributed to the 1962 war and, more recently, to the protracted stalemate in border negotiations. During the 1960 negotiations, India and China both 'linked the disputed territories to past history and laid claim to a "'mantle of victimhood"''.¹²³ Each state emphasised its past suffering in order 'to demonstrate that far from making revisionist territorial claims, they were the victim and the disputed territories had in fact always been historically integral to their pre-colonial nation'.¹²⁴ The negotiations broke down, as neither side could compromise, and war ensued.

Today, India's position remains as it did in 1960, that India's 'borders are non-negotiable'.¹²⁵ This is perceived by China as a reflection of Indian imperialism and hegemony that leads China to see itself, at least in part, as a victim of Indian aggression.¹²⁶ Moreover, China's position on the dispute has hardened in the years since the 1962 war. In 1960, China had proposed a straight east-west territorial swap (involving India abandoning Aksai-Chin in the west in return for China accepting the Himalayan crest line in the east).¹²⁷ But since 1985, China has also extended its claim to include a demand for territorial concessions in the Tawang region, which is perceived by India as part of a broader Bhutan encirclement strategy to cut off Indian forces and leave it vulnerable.¹²⁸ This, in turn, leads India to see itself, as a victim of Chinese aggression and manipulation.

For both nations, maximising territorial sovereignty and optimising their status are potent forces in the dispute. These forces stem from their national identities and centre on a sense of victimhood, and its corollary, a sense of entitlement to recover that which was lost.¹²⁹ Consequently, as long as 'India and China see each other as ... [the victim] in the Sino-Indian border conflict, and China rejects imperial borders while India accepts them', the prospect of any meaningful negotiation breaking the Sino-Indian stalemate is remote.¹³⁰

Political elites – their role in the stalemate

Identities that are dominated by enduring themes of civilisation, victimhood and entitlement reveal the underlying Chinese and Indian sentiments that serve as barriers to the dispute's resolution. More broadly though, it is the role of these sentiments in shaping the thinking and attitudes of political elites of both countries that further helps to explain why the Sino-Indian border remains unresolved.

The political elites of China and India rank their relationship with one another 'far below their domestic perils and Taiwan and Pakistan'.¹³¹ In the case of the Chinese Communist Party (CCP), its core security concerns are national unity and territorial integrity.¹³² National reunification is the CCP's 'sacrosanct mission' and is intertwined with its very legitimacy.¹³³ Reunification is perceived as 'essential to China's recovery from a century of national weakness, vulnerability and humiliation, and to its emergence as a respected great power'.¹³⁴

Another factor in the political salience of national unity and territorial integrity is the ethnic geography of disputed lands, that is, 'the location and distribution of ethnic groups'.¹³⁵ China's ethnic geography reflects that of an 'empire state', with a densely-populated, ethnic Han majority core along the coast and river valleys, surrounded by a large, sparsely-populated periphery of minorities and unpopulated offshore islands.¹³⁶ These factors effectively create a political hierarchy for territorial disputes in which Taiwan has primacy, followed by the Sino-Indian frontier dispute and, lastly, by the offshore island disputes in the South and East China Seas.

The principal challenge in the Sino-Indian border dispute for China is that it has to 'maintain control over vast borderlands populated by ethnic minorities that were never governed directly by any previous dynasty'.¹³⁷ M. Taylor Fravel states that, in the main, this dispute is 'much less important for China because maintaining internal control trumps expanding frontiers'.¹³⁸ In other words, the regime will invariably choose control over a restive Tibet in preference to the acquisition of more territory along the Sino-Indian border. Hence, while the Tibetan population remains unreconciled to Chinese rule, there is little political impetus to focus on the border's settlement.

Furthermore, for the sake of its own power and prestige, the CCP must remain focused on Taiwan. Acceptance of Taiwan's independence could 'legitimate the principle of ethnic self-determination', increasing challenges for Chinese policy makers not only in Tibet and Xianjing but elsewhere throughout the country.¹³⁹ Fravel concludes that regime insecurity best explains China's stance, noting that when the CCP is insecure, due to internal threats such as secessionist movements, it is more likely to come to the negotiating table.¹⁴⁰ Hence, so long as Taiwan's independence is not an active issue and Tibet is under control, the regime has a sense of security along its frontiers, which creates little incentive for compromise.¹⁴¹

For India's political elite, different dynamics are at play. Pakistan remains its main security concern, with its principal challenge of 'responding to the alarming Talibanisation of the country'.¹⁴² The legacies of partition and the India-Pakistan wars of 1947, 1965, 1971 and 1999 continue to influence Indian strategic thinking.¹⁴³ Since 2003, the two countries have maintained 'a patchy ceasefire' over the de facto border in Kashmir—the 'Line of Control'—but skirmishes are frequent and tensions high.¹⁴⁴ Today, hot spots such the contested territory of Jammu and Kashmir (including the Siachen glacier), tensions over Sir Creek and other water disputes, and allegations of state-sponsored terrorism are the main irritants in India-Pakistan relations.¹⁴⁵

However, Pakistan looms large in the psyche of India's ruling elite not just because of the complexity of its security challenges but also because of the

strength of its relationship with China. The Sino-Pakistan relationship has been likened to the special relationship between Britain and the US—'a meeting of minds, shared interests, values and world views'.¹⁴⁶ The net effect of this relationship on India is a sense of containment and coordination that seeks to deny India 'its rightful place in the world'.¹⁴⁷

Furthermore, it is the depth and breadth of the Sino-Pakistan relationship that has direct influence on the Sino-Indian border dispute. China's overarching strategic interest is 'to keep Pakistan independent, powerful and confident enough to present India with a two front threat'.¹⁴⁸ Malik contends 'the Chinese calculate that as long as the one million-strong Indian army is preoccupied with Pakistan on its Western frontier ... it will not stir up trouble on the Tibetan border'.¹⁴⁹

Hence, for India's elites, Pakistan is central in their calculus about the Sino-Indian border. Dissolving the threat of Pakistan and reconciling Jammu and Kashmir would clearly strengthen India's position against China, both in the border dispute and throughout the region. But it is difficult to imagine how this could occur in the absence of a nuclear exchange and all-out war with Pakistan and China.¹⁵⁰ Accordingly, for India's ruling elite, so long as China continues to support Pakistan and the 'Kashmir card' remains active,¹⁵¹ accepting the stalemate along the Sino-Indian border has become the *status quo* strategic option.

One final aspect of the Sino-Indian border dispute that drives the attitudes of India's ruling elite is the memory of defeat in the 1962 war. Maxwell suggests that 'the Indian political class's deluded sense of injury and resentment against China' is the real barrier in the dispute.¹⁵² He notes that the ingrained depth of resentment is such that it prevents any reversal of Nehru's mantra that 'India's borders are non-negotiable'.¹⁵³ Malik similarly argues that India's China debate remains scarred by bitterness over the 1962 war and that the ongoing territorial dispute is the 'principal driver that shapes India's policies and attitudes towards China'.¹⁵⁴

The Sino-Indian relationship – its role in the stalemate

The stalemate on the border is derived, at least in part, from an inability of the ruling elites to free themselves of their respective perceptions of history and national identities, as well as the dynamics of triangular China-Pakistan-India politics. The obvious question is whether there is any hope for resolution?

Analysis of the literature reveals that there are features in the Sino-Indian relationship that, in the longer term and if further developed by both parties, could move the *status quo* from stalemate to negotiated solution. These features centre on the characteristics of the dispute, shared interests and the way in which the border is used to regulate the relationship. That said, the lack of political will in both nations still makes settlement a distant prospect.

In the first instance, some of the characteristics of the border dispute are a source of hope for resolution. Paul Huth argues that 'democracy, alliances, disputes over land with economic value, the existence of multiple disputes, and prior defeat in armed conflict over contested land significantly increase the odds of a settlement being reached'.¹⁵⁵ The Himalayan border shares many of these characteristics—such as Indian democracy, India's 1962 defeat, fertile land in the east, and multiple interconnected disputes¹⁵⁶—suggesting that, in theory at least, these features augur well for eventual resolution.

However, one of the most significant complicating factors is the competing ideologies of China and India. As India is a pluralistic democracy and China an authoritarian communist regime, it is virtually impossible to predict how the two political elites will interact with one another. Jean-Marc Blanchard and Huth contend that 'democratic countries tend to resolve their disputes by peaceful means and non-democratic countries tend towards non-peaceful means'.¹⁵⁷

Fravel also cautions that the behaviour of authoritarian states is difficult to predict given that they face fewer domestic constraints and can 'more easily choose between escalation and cooperation'.¹⁵⁸ So while some of the characteristics of the Sino-Indian border dispute lean in favour of resolution, the competing ideologies in Sino-Indian politics are the great unknown in gauging how and/or when settlement might occur.

Nevertheless, there is also hope for resolution in that 'leaders in both countries exhibit a shared interest in not allowing tensions and frictions to overwhelm the relationship as a whole'.¹⁵⁹ Any clash would destroy the very environment that both nations have built to support their developmental goals. In China's case, the stakes are especially high. Initiating conflict would discredit the notion of its 'peaceful rise' and potentially weaken its broader economic relationships and interests. A 'hardline approach' to India could also backfire and drive India (and other Asian neighbours) into stronger opposition against China.¹⁶⁰

Garver contends that China aspires to improved relationships with India, and 'seeks Sino-Indian rapprochement including friendly, multi-dimensional cooperation with India in economic and global issues'.¹⁶¹ Often-quoted examples of Sino-Indian cooperation in recent years include a resolution over unbalanced trade arrangements, the development of reciprocal visas, and diplomatic convergence at the UN.¹⁶²

Moreover, there remains considerable common ground in the security interests of both nations. China's enduring foreign policy objectives are defensive in nature, namely 'to blunt destabilising influences from abroad, to avoid territorial losses, to moderate surrounding state's suspicions and to create international conditions that will sustain economic growth'.¹⁶³ India's 'core security interests lie in the sub-continent [and relate to] territorial integrity, economic development and a

secure periphery'.¹⁶⁴ Jacques Bertrand and Andre Laliberte argue that despite the border stalemate, China and India mutually support one another's security objectives, noting that China and India have specifically avoided interfering in issues regarding autonomist or sub-state nationalist groups, citing that:

[W]hile India has welcomed the Tibetan Government in exile in Dharamsala, it has consistently avoided encouraging Tibetan independence, even though it has never stopped pressing its demand to reclaim the territory of Aksai Qin. Conversely, even though China has yet to give up its claim to the territory of Arunachal Pradesh, there is no evidence that it has encouraged the autonomous rebel movements in neighbouring Nagaland and Mizoram.¹⁶⁵

Bertrand and Laliberte comment that 'although each government accuses the other of supporting autonomous movements, neither provides such support for fear of a reciprocal attempt by their adversary'.¹⁶⁶ This behaviour suggests that both sides do not actively seek to undermine one another's security. This posture, over time, could assist in building the confidence and stability to conduct border negotiations.

Gary Goertz suggests that 'the pursuit of a low intensity rivalry with repeated hostile interactions—but no escalation towards militarised conflict—represents a peculiar kind of stability in interstate relations which is often sought out by state leaders.¹⁶⁷ This is because it is seen as more stable compared to the alternatives, which include the 'uncertainty of a conflict free relationship' or the establishment of conditions which may be more favourable to the other party's development.¹⁶⁸

In effect, this means that the border issue gives both China and India an ability to exercise their statecraft to meet their own objectives, as:

[B]oth rivals can sometime 'turn down the heat' while nevertheless pursuing checkmate policies to thwart the other's regional ambitions or foster internal problems, but without bringing both states on the verge of war.¹⁶⁹

Malik also notes that an unsettled border:

... provides China the strategic leverage to keep India uncertain about its intentions and nervous about its capabilities, while exposing India's vulnerabilities and weaknesses and ensuring New Delhi's 'good behaviour' on issues of vital concern to China.¹⁷⁰

On balance, there are positive aspects to the Sino-Indian relationship and their engagement with one another that could build confidence and reduce the likelihood of aggressive action. However, at present, the primary limiting factor in the relationship is an absence of political will among elites to break the stalemate.

In April 2005, Sino-Indian shared interests enabled both sides to reach agreement on the political principles to facilitate settlement of the border.

During this process, the joint political framework emphasised the line of actual control as the new basis for boundary demarcation. However, nearly ten years on, the mutual political commitment to translate the spirit of 2005 into settlement is still lacking,¹⁷¹ not least because the domestic political imperatives of the ruling elites prevent a resolution.¹⁷²

Hence, 'despite continuing negotiations and the recent upswing in diplomatic, political, commercial and even military ties (including joint military exercises) between the world's most populous countries', there is 'little sign of an early resolution to the conflicting claims'.¹⁷³ Indeed, with neither Indian nor Chinese contemporary leaders seeming to possess 'the political courage a final border settlement would need',¹⁷⁴ the dispute is likely to 'stalemate for some time to come'.¹⁷⁵

Identity and the Sino-Indian relationship clearly contribute significantly to the deadlocked border dispute but what other factors are at play? The next two parts of this paper explore this question and examine the role of military and economic factors in perpetuating the stalemate.

Part 4 – Military power

The military buildup along the Sino-Indian border has been likened to 'a fuse in a powder keg'.¹⁷⁶ Since 1962, both sides have been involved in 'provocative actions on numerous occasions'.¹⁷⁷ In 2012, New Delhi alleged 400 Chinese incursions into Indian-controlled territory.¹⁷⁸ In April 2013, Chinese troops, for the first time since 1986, refused to return to China's side of the border after being discovered on (what India contended) was the Indian side of the Line of Actual Control.¹⁷⁹

So what roles do the Indian and Chinese militaries play in perpetuating the border stalemate? Is the rate of increase in low-level tactical skirmishes along the Himalayan frontier a cause for concern or not? This part of the paper focuses on these questions by firstly presenting a brief overview of Indian and Chinese military power and the broader geo-strategic implications of this power. The analysis then turns to the border forces of both sides and the creation of a state of deterrence, involving both conventional and nuclear forces. Finally, this part concludes that the current military settings will continue to support a protracted stalemate, albeit one that is likely to be punctuated by skirmishes and low-level clashes from time to time.

Indian and Chinese military power – implications for the relationship

India and China maintain formidable military forces, which have undergone significant modernisation programs over the past 20 years. For the last five years, India has been the world's largest importer of weapons; it also has the second largest military in the world, after China, and a budget in the order of \$US46.8 billion, ranking it as the 7th largest defence-spending nation.¹⁸⁰ The Indian Army represents 80 per cent of the Indian Defence Force and has approximately 1.129 million personnel.¹⁸¹

In comparison, China's actual military strength remains difficult to assess because of a lack of disclosure and transparency in key areas of military capability. In 2012/13, the Chinese military budget was estimated at 720.2 billion yuan (approx. \$US115 billion) for a force of 2.3 million personnel, including ground forces of 1.6 million.¹⁸² According to Japan's Ministry of Defense, the nominal size of China's national defence budget has approximately quadrupled over the past ten years, and has grown more than 33-fold over the past 25 years.¹⁸³

So what does this growth in military power mean in the context of the Sino-Indian relationship? Arun Sahgal suggests that China's military modernisation is fuelled by its grand strategy of geopolitical competition with the US.¹⁸⁴ Furthermore, China looks at India's modernisation not only from the perspective of an emerging peer competitor but also as a form of strategic collusion with the US.¹⁸⁵ In India's case, 'China's confidence in its new military power is unnerving'¹⁸⁶ and is leading to a 'growing realisation that it needs to develop credible hard power as a dissuasive strategy against China'.¹⁸⁷

These perspectives about each other's military power are driving a fundamental change in the strategic calculus of China and India. For most of the latter half of the 20th century, the Sino-Indian military power relationship was asymmetric, that is, heavily biased in China's favour. However, 'India's gradual but sustained path toward socio-economic and military modernisation is impelling Beijing to take notice of what had otherwise been viewed as an "asymmetric threat"'.¹⁸⁸ Moreover, it is along the Sino-Indian border that this closing of the military power differential is most keenly demonstrated in terms of the disposition and posture of Chinese and Indian forces.

The Tibetan Government in exile in Dharamsala estimates that the 'number of [Chinese] troops in Tibet stands at about 500,000, in the form of People's Armed Police, Chinese Frontier Guards and Garrison Duty Forces', which include tank brigades, artillery divisions, airborne divisions, infantry and specialist forces.¹⁸⁹ To support these forces, China has built 'new railways, 58,000 kilometres of all-weather roads, five air bases, supply hubs and communication posts' throughout Tibet.¹⁹⁰ This infrastructure gives China the 'ability to strike with

power and speed if it decided to seize the Indian-controlled territory which it claims as its own'.¹⁹¹

In comparison, India has 'spared no effort and resources to modernise the Indian Army and build strategic roads all along the Himalayan region'.¹⁹² In May 2014, India deployed a new mountain 'Strike Corps', consisting of 80,000 troops, along the Line of Actual Control.¹⁹³ The Corps is designed to give the Indian Army a 'concrete counter offensive option in the event of an attack by the People's Liberation Army'.¹⁹⁴ India is also concurrently enhancing its capabilities in relation to ballistic missiles, fighters, spy drones, helicopters and missile squadrons in the eastern theatre with the specific intent of gradually transforming the present Indian 'dissuasive posture' against China into a posture of 'meaningful deterrence'.¹⁹⁵ This, in turn, is changing the power relativities along the border and increasing the consequences for China of any military forays.

Conventional and nuclear deterrence – furthering the stalemate

The net effect of China's and India's military modernisation programs is that both sides now have the posture, force disposition and infrastructure to support a large-scale conventional war along the Sino-Indian border. They also have sufficient nuclear weapons¹⁹⁶ in support of a 'minimal credible deterrence policy'.¹⁹⁷ So will they be tempted to fight yet again over the border? The literature reveals a range of views. John Mearsheimer paints a bleak picture:

Given the importance of these territorial disputes to China, coupled with the apparent difficulty of resolving them through the give-and-take of diplomacy, the best way for China to settle them on favorable terms is probably via coercion. Specifically, a China that is much more powerful than any of its neighbours will be in a good position to use military threats to force the other side to accept a deal largely on China's terms. And if that does not work, China can always unsheathe the sword and go to war to get its way.¹⁹⁸

However, Fravel counters this view and states that China has been 'less belligerent than leading theories of international relations might have predicted for a state with its characteristics', further noting that:

For scholars of offensive realism, China has rarely exploited its military superiority either to bargain hard territory that it claims or to seize it through force. China has likewise not become increasingly aggressive in managing its territorial disputes as its relative military and economic power has grown since 1990.¹⁹⁹

Moreover, Jonathan Holslag surmises that the overall strategy of both nations is to maintain the balance of power in the border area and that this balance is 'nourished' by small-scale incursions and the build-up of military infrastructure.²⁰⁰ He further argues that both sides are not looking for military supremacy along the border, although 'they are seeking ... to develop the capability to react

flexibly on a wide range of challenges'.²⁰¹ For China, such challenges include combating Tibetan separatism, while for India, Pakistan continues to be a constant source of irritation.

On balance, 'an all-out conflict, although possible, appears improbable because it could spiral into nuclear war and would upset the prevailing harmonious development model adopted by both sides'.²⁰² Hence a combination of conventional and nuclear deterrence serves to keep hostilities in check. Furthermore, as China and India are both 'vulnerable to potential acts of hostility', a 'multi-level soft deterrence' is now a feature of the relationship.²⁰³ In the border dispute, China's key vulnerability is Tibet and India's is Pakistan, which makes the potential cost of conflict extremely high for both nations.

Thus India's and China's military modernisations have created a 'stronger security interdependence', suggesting the current security dilemma 'will not bring peace, but it will lead to a precarious form of stability as the costs of war rise significantly on both sides of the Himalayas'.²⁰⁴ In effect, the military power of both nations will assist in perpetuating the stalemate, wherein the dispute will continue to fester, albeit within bounds.

In many ways, the Sino-Indian border dispute highlights the limitations of military power. Yet today, China and India are also bound by 'the challenge of piloting a third of the world's population into the global economy'.²⁰⁵ So what does this great economic endeavour mean for their relationship and, more specifically, for the prospects of resolution of the dispute? The next part of this paper examines the role of economic forces and whether or not these forces could aid in breaking the deadlock.

Part 5 – Economic interdependence

Historically, China and India 'identified their fate uniquely with the conservative and inward-looking interests of their vast peasant societies'.²⁰⁶ Economic self-sufficiency was therefore one of the primary forces of political legitimacy for their ruling elites. For millennia, external trade between the two great civilisations remained a marginal activity.²⁰⁷

Today, India and China are economic powerhouses, integrated with the global economy and each trading with over 100 countries.²⁰⁸ Simultaneously, they remain focused on their respective domestic development and economic growth, both of which are underscored by a stable economic environment.²⁰⁹ Holslag contends that in 'their quests for national unity, India and China have embraced economic development via openness as a new sort of superglue'.²¹⁰

This final part of the paper examines the Sino-Indian economic relationship. In particular, it asks if Richard Rosecrance's 'liberal economic peace theorem',

whereby '[s]tates that extensively trade with one another do not engage in conflict', applies to China and India.²¹¹ It examines whether economic interdependence through trade could help to ease the tensions in the Sino-Indian relationship and in turn contribute to breaking the border stalemate.

In the first instance, it explores Rosecrance's theorem and the nature of the Sino-Indian economic relationship. From this basis, the arguments surrounding Sino-Indian interdependence are examined. The analysis concludes that, on balance, the Sino-Indian economic relationship is not yet sufficiently developed to play a determining role in the Sino-Indian border dispute.

'Liberal Economic Peace Theorem' – what is it and is it relevant to the Sino-Indian relationship?

Yuchao Zhu explains the underlying logic of Rosecrance's 'liberal economic peace theorem' as follows:

Economic interdependence creates mutually dependent situations for interactive players, primarily nation states, to establish interconnected relations under which the importance of traditional power politics is reduced and military force is less useful. Under this condition, military conflict becomes less likely; cooperative behaviour, compromise, and peaceful solutions are the norm.²¹²

Mearsheimer surmises the theory as follows: '[s]tarting a war in a tightly connected and prosperous world is widely believed to be the equivalent of killing the goose that lays the golden eggs'.²¹³ Malik further notes that, in theory, 'growing economic interdependence would constrain any foreign policy behaviour that would jeopardise foreign investment, trade flows, market access and energy supplies'.²¹⁴ To what extent, therefore, could the Sino-Indian economic relationship contribute to breaking the stalemate, restraining military assertiveness and promoting a peaceful resolution of the border dispute?

The key to answering this question is an understanding of the trade flows between the two countries. In recent years, Sino-Indian trade 'has been growing at more than 30 per cent a year', albeit 'heavily skewed in Beijing's favour'.²¹⁵ Limited export competition in third markets and a lack of economic conflict associated with either regional trade policies or cross-border infrastructure projects are also features of the trade relationship.²¹⁶ Furthermore, although expanding, Sino-Indian bilateral trade flows are still modest compared to their overall trade. The most recent figures approximate the value of total Sino-Indian trade at US\$66.57 billion, with a trade deficit for India of US\$29 billion.²¹⁷

In 2012, India was China's 15th largest trading partner, with 1.7 per cent of China's overall trade.²¹⁸ India is China's 7th largest export destination, comprising 2.3 per cent of overall Chinese exports.²¹⁹ India also ranks as 19th among the countries exporting to China, with 1.1 per cent of China's imports.²²⁰ Some 45 per cent of Indian exports to China fall into the categories of iron ores, slag and ash, and

cotton (including yarn and fabric).²²¹ The majority of China's exports to India are in the categories of plant (including nuclear reactors, boilers, machinery, electric machinery and sound equipment), organic chemicals and fertilisers, and iron and steel.²²² The key strategic issue, however, is that nearly 90 per cent of India's exports to China are raw materials and iron ore, which are then returned to China as higher-value finished goods, undercutting India's small and medium enterprises.²²³

In essence, these characteristics mean that at this stage of their economic development, China and India do not yet meet the criteria of Rosecrance's theorem. Hence, until such time as trade occurs in higher volumes and is more balanced and more integrated across the two economies, it is unlikely that economic forces will significantly contribute to the broader security relationship, let alone the border dispute.

Another aspect to the Sino-Indian economic relationship that often features in the literature is the complementary nature of their two economies.²²⁴ In theory, the emergence of complementary economies could act as a break in relationship tensions, as complementarity should support integration over competition. On first inspection, the fact that China's export-oriented economy is based on its manufacturing sector and global sales networks, and that India's domestic economy is centred on services and engineering, would appear to support this thesis.²²⁵

However, given the relatively moderate level of trade volumes described previously, Vincent Wei-cheng Wang maintains that Sino-Indian economic complementarity is not a major contributor to security.²²⁶ Furthermore, he contends that while there is the potential for closer economic ties, the emergence of a single giant 'Chindia' economic powerhouse is simply not supported by the evidence.²²⁷ Moreover, he argues that the forces of economic competition will ultimately limit greater Sino-Indian integration.²²⁸

Holslag further builds on this argument. Specifically he argues that the current absence of economic tension between the two countries is likely to be a function of India's relative inferiority in its industrial development when compared to China.²²⁹ Therefore, once India's industrial production improves and China's commercial services strengthen, any security benefits that have flowed from complementary dynamics could be lost. Rather, both nations could face 'fiercer competition' and this could actually translate into a source of potential tensions.²³⁰

Beyond the debate over trade balances, complementary economies and how these augur for interdependence and security, Dibesh Anand presents a different and contrasting economic view from a historical perspective. He notes that contrary to the widely-held view of the Himalayas as 'an impenetrable

natural barrier', the region up until the middle of the 20th century was a 'zone of interaction through the movement of people, goods and ideas, facilitated by a pluralistic yet shared sense of Tibetan Buddhism-influenced culture'.²³¹ He further notes that it was only in the late 1950s that the 'traditional trade and pilgrimage circuits crisscrossing the Himalayan region 'were ruptured as the 'tensions rose between the newly post-colonial China and India over their boundary'.²³²

This leads Anand to ponder if such a zone, where cultures met and interacted, could be reinstated in place of the 'current alien border zone' that exists today.²³³ In other words, economic activity, which is underscored by a shared sense of religious and cultural identity, could perhaps hold the key for resolving the border issue. However, Anand also postulates that such a thesis would require extensive scholarly work to further develop.²³⁴

Analysis of the Sino-Indian economic relationship reveals that while trade volumes have grown in recent years, given their overall modest volumes and pro-China bias, there is only a relatively moderate level of economic interdependence. This suggests that the Sino-Indian economic relationship is not yet mature enough to support the peace dividend postulated by Rosecrance. Rather, Sino-Indian 'economic relations are at a crossroads, and either competition or cooperation is a plausible scenario'.²³⁵

Even if economic cooperation eventuated in the longer term, the sheer magnitude of Sino-Indian competitive tendencies, which are 'rooted in geopolitics and nationalism, are unlikely to be easily offset or overcome'.²³⁶ Therefore, for the foreseeable future, China's and India's economic relationship is unlikely to significantly influence their security outlooks or play a role in bringing both parties to the negotiating table over the border dispute. The stalemate looks set to endure.

Conclusion

The Himalayan border dispute presents a classic study of great power rivalries, the perils of buffer states and the legacies of empires. The security problems for all three nations involved—China, India and Bhutan—are reflections of their geography and history, their national power and identity.

For Bhutan, wedged between the great Sino-Indian civilisation states, its choices are limited. By virtue of its cultural, historical and treaty ties with India, it is difficult to imagine how its border dispute with China can ever be resolved in the absence of normalised Sino-Indian relations. In essence, the trust deficit between China and India is simply too great to enable Bhutan to accept the Chinese 'package deal' and surrender territory that would strategically disadvantage India.

For the broader Sino-Indian border dispute, analysis of Tibet, identity and the Sino-Indian relationship, and military and economic power, reveals a number of complex factors that feed the greater rivalry but also perpetuate the stalemate and constrain military assertiveness.

Tibet remains the great barrier to the dispute's ultimate resolution. Cultural affinity and religious bonds bind India to Tibet, just as conquest and a thirst for its resources bind Tibet to China. The interaction of these forces sets the conditions for an enduring mistrust between the two great powers. This mistrust is reinforced by bitter memories and national identities, while a sense of victimisation and entitlement flows through the strategic cultures of Chinese and Indian elites. Although shared interests and common ground are found on some issues, these bonds are not yet strong enough to overcome the barriers to dispute resolution.

Concurrently, the military modernisation programs of both nations have created a common posture of deterrence along the disputed border. China and India now find themselves locked in a security dilemma that will not bring peace but does create a 'precarious form of stability as the costs of war rise significantly on both sides of the Himalayas'.²³⁷ In other words, deterrence also nurtures the stalemate.

Furthermore, despite growing trade linkages, the Sino-Indian economic relationship is not yet mature enough to support the peace dividend postulated by Rosecrance. The Sino-Indian economic relationship is developing in a way that may lead to interdependence and, thereafter, lasting peace and cooperation. However, for the foreseeable future, the economic relationship is likely to play only a minimal role in the calculus of the border dispute.

So what of the future? This paper has analysed the factors that perpetuate the Sino-Indian border dispute and also constrain the likelihood of the dispute's escalation. While there are factors shaping stalemate, could a number of unrelated but coincidental factors unhinge the *status quo*? Are there triggers that exist along the roof of the world? How could we recognise their emergence? What steps could be taken now to address them? While this paper has concluded that the stalemate will endure, these are questions that warrant further consideration. For so long as one third of all humanity is divided by a disputed border, lasting security cannot be assured.

Notes

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Why does the People's Republic of China continue to support the Democratic People's Republic of Korea?

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Abstract

This paper analyses the relationship between the People's Republic of China (PRC) and the Democratic People's Republic of Korea (DPRK). It contends that the PRC's national focus on economic growth has translated into a deliberate, 'geopolitical stability' strategy to maintain the *status quo* of a divided Korean Peninsula, with reunification and denuclearisation as secondary policy objectives.

It concludes that even though there are economic, diplomatic and credibility costs for the PRC in continuing to support the DPRK, it will continue to do so for as long as Beijing assesses that support for the DPRK will maintain the *status quo* on the Korean Peninsula and that the *status quo* is required to underwrite the PRC's ability to grow its economy and military power, and resolve internal issues.

Introduction

The PRC's economic rise over the last 35 years has seen it transition from its post-World War 2 hardline socialist ideology and isolation into a prosperous, market-based economic powerhouse that is now one of the key geopolitical players in East Asia. On the opposite end of the spectrum is the DPRK, which shares a 1416-kilometre land border with the PRC. It remains an isolated and autocratic communist state, ruled by a repressive regime, and with an economy which has largely regressed since the end of the Korean War. The DPRK's nuclear ambitions, brinkmanship and poor economic management have contributed to its isolation and reliance on the PRC for diplomatic support, food, fuel and economic aid. However, that support arguably incurs significant and ongoing financial, diplomatic and credibility costs for the PRC.

This paper will analyse the DPRK-PRC relationship and contend that the PRC's national focus on economic growth has translated into a deliberate, 'geopolitical stability' strategy to maintain the *status quo* of a divided Korean Peninsula, with reunification and denuclearisation as secondary policy objectives. The shared history of the PRC and DPRK will be analysed to provide an understanding of the depth and genesis of the current relationship. The PRC's policies and methods will also be examined to illustrate the benefits the PRC is seeking to gain through its support to the DPRK. Finally, the economic, diplomatic and credibility costs of this support will be analysed in order to understand the costs borne by the PRC. The paper concludes that the cost/benefit calculations will likely see the PRC continue to provide support to the DPRK, particularly as Beijing remains focused on economic growth and internal issues.

'As close as lips and teeth' - 2000 years of shared history¹

The connection between China and Korea can be traced back to the 8th century BCE. The relationship in ancient times existed under a suzerainty system, with Korean kingdoms as tributary states of successive Chinese dynasties. The suzerain relationship lasted through to the shared fight against Japanese invaders in 1592, after which China formed the concept of the 'interdependence of two neighbouring states (if the lips are gone, the teeth will be cold)' which, at the time, China interpreted as meaning that defending the Korean Peninsula was the same as defending China.²

The interdependent relationship endured through to the subsequent Japanese invasion and occupation of the Korean Peninsula from 1910 to 1945, and China between 1931 and 1945. During this difficult period, the shared struggle against Japanese invaders and the rise of communism in the two countries occurred in

parallel. As such, the modern Sino-DPRK Communist Party bond, while based on shared history, was 'forged during the wars against Japanese occupation and Chinese nationalists in the 1930s and 1940s'.³

The bond between the two countries, based on their shared history and communist ideologies, was firmly cemented in the PRC's national psyche through the commitment of Chinese troops in support of North Korea during the Korean War. The PRC committed some 2.97 million troops to fight alongside the North Korean military against UN forces, and a further 600,000 civil workers to support the war effort on the Korean Peninsula. This commitment of troops and resources proved highly costly for the PRC, with personnel losses conservatively estimated at 148,000 killed, 380,000 wounded and 21,400 prisoners of war, while direct financial costs were estimated at 6.2 billion Yuan (>US\$1 billion), with a further US\$1.3 billion owed to the Soviet Union.⁴

The Korean War, which was fought in the formative years of the Chinese Communist Party (CCP), was recently described by China's President Xi Jinping as a 'great victory in the pursuit of world peace and human progress'.⁵ The fight against US-led UN forces has always been, and remains, a 'central legitimising story for the Chinese Communist Party, [and] the People's Liberation Army',⁶ as well as a tangible link to the DPRK in the psyche of the Chinese people and the CCP's leadership.

Despite their common ideology and Korean War history, the PRC-DPRK relationship has waxed and waned since. In 1961, the two countries signed the 'Sino-North Korean Treaty of Friendship, Cooperation, and Mutual Assistance'.⁷ The relationship then became strained during China's so-called 'Cultural Revolution' in the 1960s, when the Red Guard lost patience with the regime of North Korean leader Kim Il-sung, denouncing it as revisionist.⁸ The relationship recovered in the 1970s when the PRC was seeking strong bilateral relationships during a period of hostile relations with the Soviet Union. However, the PRC once again moved away from the DPRK in the early 1980s when it commenced economic reforms and moves towards a free market economy, further souring when the PRC established diplomatic relations with the Republic of Korea (ROK) in 1992.

The current 'positive' phase of the PRC-DPRK relationship began in 2000, after a seven year period of no top-level engagement, with a visit to China by Kim Jong-il, then Supreme Leader of the DPRK, to re-establish the relationship. This phase continues to the present, having survived 14 years of DPRK recalcitrance, nuclear tests and brinksmanship on the world stage, and has led to the PRC providing a significant and growing level of support to the DPRK.⁹

A deliberate strategy to maintain the divided Koreas

It is generally assumed that the PRC's preferred long-term outcome is a unified, de-nuclearised Korean Peninsula, without US troops, and with a government that is friendly or at least neutral towards China.¹⁰ However, an analysis of the policy and methods employed by China in its bilateral relationship with the DPRK, and in the UN, would seem to suggest that such an outcome is not being actively sought by Beijing at this time.¹¹ Indeed, China's continued diplomatic, economic and military support for the DPRK, and its lack of punitive action against the regime in Pyongyang, would seem to suggest that its current strategy is to maintain geopolitical stability on the Korean Peninsula in order to underpin its own economic growth.

Such a strategy, which is effectively the maintenance of the divided Koreas, is presumably based on policy objectives that are fundamentally designed to meet the PRC's current and short-term geopolitical and economic requirements.¹² Maintenance of the *status quo* on the Korean Peninsula provides the PRC with a number of strategic and economic benefits. The divided Koreas, with a regime in the north that is friendly towards China, give the PRC an important geographical buffer between US troops stationed in the ROK and its northeastern border. A divided Korean Peninsula also negates any prospective relocation of US troops towards the existing Sino-DPRK border, which might occur should a reunified Korea adopt the ROK's current political and alliance structures.¹³

The provision of financial and food aid to maintain the *status quo* also mitigates the risk of instability in the DPRK leading to an uncontrolled flow of refugees across the Sino-DPRK land border into the northern provinces of China—and the subsequent economic and political costs associated with managing such an influx.¹⁴ Further, the provision of support reinforces 'Beijing's [broader] credibility as a patron and ally'.¹⁵ Finally, the *status quo* allows the PRC to maintain its military focus on internal security, the reunification of Taiwan and military expansion without being distracted by the requirement to conduct military operations on the Korean Peninsula (which it would be obligated to conduct under the terms of the 1961 Sino-North Korean Treaty should the DPRK be subjected to armed attack).¹⁶

To that end, the PRC would seem to be maintaining a level of influence with the DPRK that will support its strategic intent to sustain geostrategic stability. It is doing this through the maintenance of close diplomatic and military ties with the DPRK, and through the provision of food aid, economic aid, energy assistance, trade and investment in order to help underpin regime stability. Uniquely, diplomatic engagement between the two countries is coordinated

through party-to-party links—between the CCP and Workers Party of Korea—rather than through the Chinese Foreign Ministry. This is evidence of the special status of the PRC-DPRK diplomatic relationship and the priority placed on the relationship by the PRC's leadership.¹⁷

The PRC also seeks to influence and stabilise the DPRK regime through the provision of a significant and growing level of foreign aid. Food, fuel and monetary aid are provided to mitigate the risk of a hunger-fuelled popular uprising, a rise in the number of refugees entering China, and in an attempt to provide the PRC with a degree of leverage to moderate DPRK actions.¹⁸ PRC trade and investment have risen on an annual basis, particularly after DPRK trade with Russia—and Russian support—collapsed at the end of the Cold War.¹⁹ PRC trade with the DPRK is highly significant as it has mitigated the effectiveness of UN sanctions imposed as a result of the DPRK conducting nuclear and ballistic missile tests in contravention of international laws and norms.²⁰ PRC actions to minimise the economic cost of sanctions have helped to sustain the DPRK regime and are indicative of the PRC's deliberate strategy to maintain leverage and the *status quo*.

But it comes at a cost

The PRC's strategic policy of maintaining stability and the *status quo* on the Korean Peninsula incurs significant ongoing economic, credibility and diplomatic costs. Real costs include the actual expenditure on economic, fuel and food aid. Credibility and diplomatic costs are that China's leaders can be accused of being unduly lenient towards North Korea and, at times, risk condemnation because of Beijing's support for what is widely seen as a 'pariah' state.

Certainly, the DPRK is generally regarded as a failing state with an economy that 'is one of the world's most isolated and bleak'.²¹ It is reliant on food and economic aid for regime survival and to mitigate the starvation and suffering of a large proportion of its population.²² The PRC is the DPRK's principal aid donor and is effectively responsible for the survival of the DPRK regime. Although the actual costs are not disclosed, reports suggest that the economic assistance being provided to the DPRK equates to half of the PRC's total annual foreign aid budget.²³ Additionally, Beijing provides up to 45 per cent of North Korea's food requirements, which included 500,000 tonnes of rice in 2012. Economic aid, food aid, and shipments of fuel—which are estimated to account for 90 per cent of the DPRK's annual requirements—arguably provide a significant and ongoing cost to the PRC economy but do so without achieving the influence in Pyongyang that Beijing would ideally be seeking.²⁴

The limits of China's influence are evident in DPRK actions in relation to its nuclear and ballistic missile programs. The DPRK has caused the Chinese leadership to 'lose face' on numerous occasions through its repeated conduct of nuclear and ballistic missile tests, against the implicit advice and wishes of China. A recent example of DPRK defiance and disrespect was the conduct of the DPRK's third nuclear test in February 2013, during the Chinese New Year.²⁵ This test, which was conducted against PRC wishes, and at a time when many Chinese officials were on holidays, was seen as a sign of open disrespect by Kim Jong-un towards China's President Xi Jinping; Chinese officials reportedly felt that President Xi Jinping 'lost face' on the world stage due to his inability to influence the DPRK's leadership over the conduct and timing of this test.²⁶

A further diplomatic and credibility negative for the PRC is that its unwillingness to use economic instruments to apply pressure to modify DPRK behaviour, and set the conditions for reunification, are well documented and understood by world leaders.²⁷ A key example is how the PRC dealt with the DPRK's nuclear tests of 2006 and 2009. On one hand, China publicly condemned the tests and, as a permanent member of the UN Security Council, helped to develop and then voted for sanctions against the DPRK. However, in each case, the PRC ensured that the UN sanctions did not include the threat of military enforcement or a mandatory requirement for member states to inspect goods en route to the DPRK.²⁸

Furthermore, the PRC established new bilateral aid and trade ties, both at government-to-government level and commercially, that effectively circumvented UN sanctions and diminished their usefulness to the point that the sanctions became ineffective.²⁹ Indeed, it has been contended that the PRC is 'in fact enabling North Korean despotism' by effectively compensating the DPRK for the reduction in trade from other countries.³⁰ Certainly, the PRC's actions with respect to sanctions have impacted its credibility on the world stage.

A further diplomatic issue for China, stemming from its support to the DPRK, is that its active 'refoulement' of North Korean refugees (forcing them back to their place of origin) contravenes its obligations as a signatory to the 1951 UN Refugee Convention.³¹ The PRC has consistently refused to accept North Koreans who cross the border illegally as refugees, terming them 'illegal economic migrants' and forcibly deporting those who are captured on Chinese territory. As a result of its failure to follow international conventions on refugees, Beijing was accused of aiding and abetting DPRK crimes against humanity in a 2014 report of the Commission of Inquiry on Human Rights in the DPRK.³² This is a further example of China's links to, and support of, the DPRK diminishing its credibility on the world stage.

The critical reliance by the DPRK on PRC aid and diplomatic support means that China has the power to sustain or bring down the current regime.³³ However, its ongoing provision of aid, and its continual acceptance of the diplomatic and credibility costs, would seem to indicate that the PRC's actions 'are designed to manage not punish'.³⁴ Moreover, its acceptance of the costs would seem to affirm that China is not willing to accept the risks and costs associated with the collapse of the North Korean regime or reunification of the Korean Peninsula, preferring instead the maintenance of the somewhat uneasy *status quo*.

Conclusion

This paper has assessed why the PRC continues to support the DPRK. It has analysed the shared history of the two countries to provide an understanding of the depth and genesis of the current relationship, as well as highlighting both the benefits the PRC seeks and gains from supporting the DPRK, and the significant economic, diplomatic and credibility costs endured by China as a result.

The paper has argued that the PRC's leadership maintains a deliberate, geopolitical stability strategy for the Korean Peninsula, notwithstanding these ongoing costs. Although the economic and diplomatic costs are high, China's ongoing support would suggest it assesses that the 'potential consequences of cutting Pyongyang loose are unacceptable' and that the costs are outweighed by the benefits achieved from maintaining the status quo on the Korean Peninsula.³⁵

Beijing's past and current actions similarly suggest that it will continue to provide sufficient aid, trade and investment to diplomatically and economically prop up the DPRK regime in order to avoid destabilising factors that would likely inhibit China's economic growth. Moreover, it can be expected that Beijing will do this for as long as it assesses that support for the DPRK will maintain the *status quo* on the Korean Peninsula and that the *status quo* is important in underwriting the PRC's ability to grow its economy and military power, and to resolve internal issues within China.

Notes

- 1 The term 'as close as lips and teeth' is often attributed to China's Prime Minister, Mao Zedong, in a telegram to DPRK President Kim Il-Sung on the withdrawal of Chinese volunteers from Korea in 1958. However, Zhihua notes that there were numerous articles in (China's) People's Daily that used the phrase 'tooth and lips' to describe the Sino-North Korean relationship as early as 1950-52: see Shen Zhihua, 'Alliance of "Tooth and Lips" or Marriage of Convenience? The Origins and Development of the Sino-North Korean Alliance, 1946-1958', *Working Paper*, US-Korea Institute: Washington DC, 2008, footnote 2, p. 24, available at <<http://uskoreainstitute.org/wp-content/uploads/2010/09/USKI-WPS08-09.pdf>> accessed 9 July 2014.
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- 3 Walter C. Clemens Jr., 'North Korea's Quest for Nuclear Weapons: new historical evidence', *Journal of East Asian Studies*, Vol. 10, No. 1, January-April 2010, p. 130.
- 4 Xu Yan, 'Korean War: in the view of cost-effectiveness', PRC New York Consulate website, 21 October 2003, available at <<http://www.nyconsulate.prchina.org/eng/xw/131430.htm>> accessed 23 March 2013.
- 5 John Garnaut, 'China, North Korea - Close as Lips and Teeth', *Sydney Morning Herald*, 13 February 2013.
- 6 Garnaut, 'China, North Korea - Close as Lips and Teeth'
- 7 Chinese and DPRK Governments, 'Treaty of Friendship, Co-Operation and Mutual Assistance between the People's Republic of China and the Democratic People's Republic of Korea', Beijing, 11 July 1961. The Treaty, created in accordance with Marxist-Leninist principles, declares respect for state sovereignty, territorial integrity and non-interference in each other's internal affairs and requires either country to immediately render military and other assistance if the other is subjected to armed attack.
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- 20 Haggard and Nolan, '*Engaging North Korea*', p. 19.
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- 22 A number of factors contribute to the perilous state of the DPRK economy, including: a corrupt, autocratic, hereditary regime that ensures that party loyalists live in comfort at the expense of the 'common people'; *juche* (the self reliance strategy) that retains the DPRK as a closed state; *songun* ('military first strategy') that sees 15-25 per cent of the nation's GDP directed to the military annually; environmental conditions, such as extreme drought and flood events; centralised means of production and antiquated agricultural production systems; lack of free market mechanisms and UN sanctions that have been imposed to punish the DPRK for its nuclear and ballistic missile adventurism. The critical state of the economy is illustrated by the World Food Program, which estimates a food deficiency of 414,000 tonnes in 2012, with malnutrition leading to stunting in 28 per cent of children as a result of severe malnutrition: see UN World Food Program, 'Overview of Needs and Assistance: The Democratic People's Republic of Korea', UN, New York, 2012, available at <<https://www.wfp.org/sites/default/files/DPRK%20Overview%20Of%20Needs%20And%20Assistance%202012.pdf>> accessed 28 July 2014.
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- 28 Clemens, 'North Korea's Quest for Nuclear Weapons', p. 127
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- 30 Chang, 'Fatal Attraction', p. 49.
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Enhancing Tonga's Maritime Security

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Abstract

This paper asserts that the large size of Tonga's exclusive economic zone poses challenging problems for the government in managing the area's maritime resources and providing effective security of the region. It also notes that Tonga's geographic isolation, sparse population and weak economy make it vulnerable to the potential impact of transnational criminal activities, while illegal, unreported and unregulated fishing poses a significant threat to food security.

The paper contends that Tonga's national crisis response policy requires further development in order to best harness its limited response capabilities. It also asserts that Tonga's maritime border security and search-and-rescue capabilities are being hampered by a lack of cooperation and coordination between the relevant agencies. The paper argues that Tonga requires a coordinated, whole-of-government policy and strategy to make the best use of the country's limited capabilities to protect Tonga's maritime security interests. The paper proposes the establishment of a maritime coordinating body as the most appropriate means to implement this intent, which it argues Tonga should establish as a matter of priority.

Introduction

The Kingdom of Tonga is a small Polynesian archipelago in the South Pacific, with a population of about 101,000 people.¹ Its total land area is approximately 650 square kilometres, scattered over 170 islands, of which 36 are inhabited, so inter-island and international shipping play vital roles in providing transportation of both cargo and people.² These islands are sparsely located in an economic exclusive zone (EEZ)³ area of approximately 700,000 square kilometres.⁴

This vast area of ocean offers bountiful resources that can be exploited for social and economic development, as well as an abundance of fish on which the population depends for its livelihood.⁵ However, the large areas of open ocean pose challenging problems for the government in managing the area's maritime resources and providing effective security of the region.⁶

Tonga's geographic isolation, sparse population and weak economy also make it vulnerable to the impact of transnational criminal activities.⁷ Much of Tonga's maritime domain is remote and vast and, with minimal Tongan resources available for the effective provision of a wide-area maritime security patrol capability, a potential haven for illegal activities has been created.⁸

The main identified threats are the unauthorised exploitation or damage of marine resources, and the illegal movement of people and drugs into Tonga or through Tonga into a third country.⁹ For example, in 2012, more than 200 kilograms of cocaine (with an estimated street value of A\$116 million) was found in a yacht which ran aground on one of Tonga's islands.¹⁰ Compared to regional countries, particularly Australia and New Zealand, Tonga has a weak capacity to conduct law enforcement throughout the outer islands, potentially exposing the entire country to transnational criminal activities such as drug, arms and human smuggling.¹¹

Concurrently, illegal, unreported and unregulated fishing is a significant threat to food security and Tonga's aspirations to develop a sustainable and viable tuna industry. Levels of unauthorised fishing are difficult to estimate.¹² But they are a growing concern because of the potential effects on fish stocks (and non-targeted species), the loss of income to Tonga, and the reduced credibility and effectiveness of Tonga's national and international management infrastructure.

There is also research to suggest that the impact of climate change may lead certain fish stocks from other areas to relocate into the region, where they could be followed by regional fleets that have traditionally fished those stocks.¹³ All these factors suggest the potential for greater illegal, unreported and unregulated fishing to occur within or adjacent to the South and South West Pacific Ocean, which inevitably will have significant maritime security implications for Tonga.¹⁴

Ensuring safety and security in the development and exploitation of ocean resources and maritime transport capacity, while maintaining order on the oceans, is crucial to the future development of the economy and society of Tonga. Clearly, the Government of Tonga must take the necessary measures to ensure the peace and security of Tonga and its maritime zones, in order that the people may enjoy the benefits of the oceans into the future. However, this paper argues that because of its restricted economic capacity to ensure maritime security and prevent the illegal exploitation of sovereign resources, Tonga needs to formulate new security policies and adopt maritime approaches that take these realities into account.

Tonga's limited maritime security capacity also means that it has limited ability to respond to natural disasters or other maritime safety crises that may occur within waters for which it holds responsibility. This shortfall exposes both Tongans and foreign visitors alike to risks.¹⁵ For example, in August 2009, the domestic ferry MV *Princess Ashika* capsized during a voyage from Nuku'alofa to the islands, resulting in the death of 74 passengers (local and overseas, but mostly women and children).¹⁶ The subsequent Royal Commission of Inquiry highlighted shortfalls in Tonga's maritime safety and search-and-rescue capabilities.¹⁷ Tonga enjoys a prosperous tourism industry. So the occurrence of such disasters, for which the country is ill-equipped to respond, can have significant adverse impact on the country's economy.

At present, Tonga's national crisis response policy is immature, requiring further development in order to best harness its limited response capabilities and capacity.¹⁸ In the author's experience—including nine years (2004-12) as the Head of His Majesty's Armed Force (HMAF) Navy, directly responsible for the HMAF Navy's maritime patrol and surveillance operations—the utilisation of the country's limited maritime security capabilities has yet to achieve an optimum level of effectiveness.

The key reason is a lack of cooperation and coordination among the relevant agencies, especially in regards to maritime border security and search-and-rescue. While it is obviously not a threat as such, search-and-rescue should nevertheless be considered in the context of maritime security.¹⁹ One of the enabling themes of the *Tonga Strategic Development Framework, 2011-2014* is to 'ensure a more coordinated whole-of-government approach in Tonga's partnership with development partners'.²⁰ In a recent lecture at the Centre for Defence and Strategic Studies at the Australian Defence College, Alan Ryan noted that 'everybody wants coordination ... [however] no-one wants to be coordinated'.²¹ This is very true in the case of coordination tasks in relation to maritime patrol and search-and-rescue in Tonga.

In order to address the lack of cooperation and coordination in maritime affairs, this paper argues that Tonga requires a robust, whole-of-government policy and framework. A coordinated strategy is crucial in order to pool together and make the best use of the country's limited capabilities to protect Tonga's maritime security interests. Such an approach represents the most effective and efficient method to utilise Tonga's limited capabilities and provides the greatest prospect of success which, in turn, will be critical for Tonga's prosperity and security. The paper specifically proposes the establishment of a maritime coordinating body as the most appropriate means to implement this intent, which Tonga should establish as a matter of priority.

The overall aim of this paper is to propose the development of a policy framework for the creation of a joint maritime security and search-and-rescue coordinating centre for Tonga. For the purpose of this paper, it has been termed the Joint Maritime Coordination Centre (JMCC). The paper has been structured in six parts to provide background, identify problems and then offer policy solutions.

Part 1 examines Tonga's rights, international obligations and responsibilities. Part 2 analyses the current maritime security and search-and-rescue arrangements, and validates the need for a JMCC. Part 3 discusses the proposed policy framework for the creation of a JMCC. Part 4 then discusses matters that would support the effectiveness of the JMCC and be crucial for the enhancement of maritime security. Part 5 examines the resource considerations and discusses the implementation plan. Part 6 analyses the impact of a JMCC in terms of benefits and risks.

Part 1: Tonga's rights, obligations and responsibilities

This part examines Tonga's rights, national and international obligations and responsibilities regarding its EEZ, continental shelf, and search-and-rescue. Tonga is a signatory to the UN's Convention on the Law of the Sea (UNCLOS), which enshrined the concept of an EEZ into international law, wherein Tonga has not only the sovereign right to harvest the living maritime resources within its EEZ but also the responsibility to manage and police it.²²

However, there are gaps in Tonga's EEZ boundaries, which inhibit full cooperation between maritime surveillance and law-enforcement authorities. Tonga's limits of maritime jurisdiction are the Royal Proclamation of 1887, the Royal Proclamation of 1972, and the *Territorial Sea and EEZ Act 1978*.²³ The Royal Proclamation of 1887 was issued by His Majesty King George Tupou the First on 24 August 1887. It is arguably the longest continuous legal claim of historic title to a maritime domain in the world.²⁴

The proclamation has resulted in the exercise of continuous jurisdiction and authority by Tonga over the land territory and the maritime spaces defined in accordance with the claim for more than 127 years.²⁵ The proclamation, claiming national jurisdiction by Tonga of an area of about 395,000 square kilometres, states that it includes:

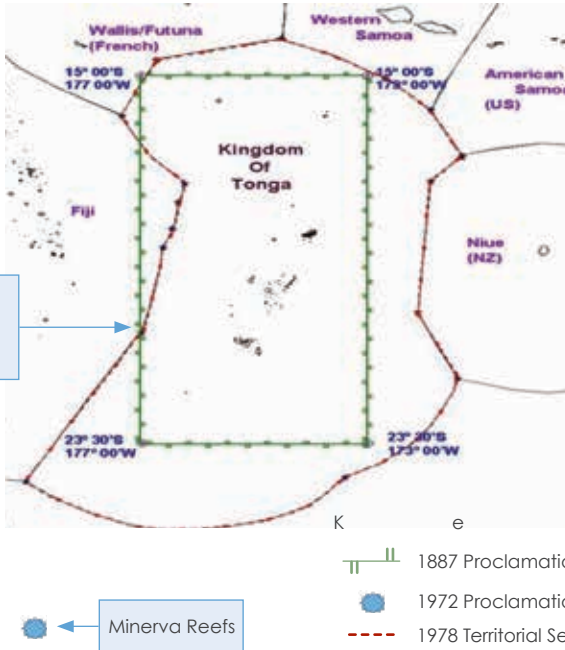
All, islands, rocks, reefs, foreshores and waters lying between the fifteenth and twenty-third and a half degrees of south latitude and between the one hundred and seventy-third and the one hundred and seventy-seventh degrees of west longitude from the Meridian of Greenwich.²⁶

The Royal Proclamation of 1972 was issued by His Majesty King Taufa'ahau Tupou the Fourth on 15 June 1972. This proclamation established Tonga's claim to 'the islands of Teleki Tokelau and Teleki Tonga [the Minerva Reefs] and all islands, rocks, reefs, foreshores and water lying within a radius of 12 miles'.²⁷ At the 1972 South Pacific Forum, the member states agreed in principle to 'Tonga's historical association with the Minerva Reefs', adding 'that there could be no question of recognising other claims to sovereignty over the reefs'.²⁸

The Territorial Sea and EEZ Act 1978 extended Tonga's claims by establishing a 200 nautical mile EEZ, adjacent to the territorial sea; it also made provision, in exercise of the sovereign rights of Tonga, for the exploration and exploitation, and conservation and management, of the resources of the zone and for matters connected with those purposes.²⁹ Although the rights of sovereignty established by *The Territorial Sea and EEZ Act 1978* (covering an area of about 700,000 square kilometres) are broader than the proclamation of 1887 (covering about 395,000 square kilometres), the final settlement of EEZ boundaries with neighbouring countries has not been determined.³⁰ Accordingly, Tonga limits the enforcement of its fishery laws to the 1887 proclamation area and the 1972 proclamation in relation to the 12-mile zone around the Minerva Reefs.³¹

Nevertheless, some challenges still exist, especially the overlapping of the 1887 proclamation and Fiji's 200 nautical mile EEZ on the western side of Tonga, and the 12-mile zone around the Minerva Reefs. Both these challenges have resulted in disputes between Tonga and Fiji over territorial boundaries. Diagram 1 (overleaf) shows Tonga's limits of jurisdiction based on the two Royal Proclamations and *The Territorial Sea and EEZ Act 1978*. It also shows the overlapping of the Royal Proclamation of 1887 and Fiji's 200 nautical mile EEZ.

Diagram 1: Tonga's maritime boundaries³²



The claim by each country adds to the complexity of the status of Tonga's sovereign rights to its maritime zone. Hence, it is crucial for the Government of Tonga to take action to address these challenges and provide the essential guidance for maritime patrols to protect Tonga's maritime interests.

Recommendation 1: The Tongan Government should formally resolve the maritime boundary issue with Fiji, by diplomatic means, thereby enabling its maritime patrol forces to protect unambiguous EEZ boundaries.

Continental shelf

For many developing nations, including Tonga, the right to exploit resources contained in or under the seabed of their extended continental shelf could be economically critical.³³ In order to do so, Tonga lodged with the UN a submission regarding the limits of its continental shelf in 2009.³⁴ Subsequently,

and with the aim of securing its financial future, Tonga sought the agreement of the International Seabed Authority to give a Canadian company, Nautilus Minerals Incorporated, exclusive rights to mine '74,153 square kilometres [of seabed located] in the Clarion-Clipperton Zone of the Pacific Ocean', which was a 'marine area beyond the limits of [Tonga's] national jurisdiction'.³⁵

The request was agreed by the International Seabed Authority. However, Article 153 of the 1982 UNCLOS requires the sponsoring state to 'tak[e] all measures necessary to ensure' compliance by any contractor, which includes adopting the necessary 'laws and regulations', as well as 'administrative measures [to ensure] ... compliance by persons under its jurisdiction'.³⁶ Such legislation and administrative measures are meant to ensure the protection and preservation of the marine environment's ecosystems, to monitor risks or impact on the marine environment, and to minimise the likelihood of pollution and accidents.

To date, however, Tonga does not have a national law on seabed mineral exploration and exploitation, which has been noted by commentators such as Yoichiro Sato, who has referred to the 'absence of transparent law governing the deep-sea mining' industry in Tonga.³⁷ Countries have an obligation under international law to protect the state from liability, and to ensure that any privatisation of the country's natural resources is covered by appropriate legislation. Hence, there is an urgent need for Tonga to enact deep-sea mining legislation.

Recommendation 2: The Tongan Government should enact deep-sea mining legislation to strengthen national laws for protecting the marine environment and to accord with relevant international conventions.

Search-and-rescue

A basic, practical and humanitarian characteristic of the global aspect of search-and-rescue is that it eliminates the need for each state to provide search-and-rescue services for its own citizens when they travel world-wide.³⁸ Instead, the globe is divided into Search and Rescue Regions (SRRs), each with associated search-and-rescue services, which assist anyone in distress within the SRR without regard to nationality or circumstance.³⁹

As defined in the Convention on International Civil Aviation and the International Convention on Maritime Search and Rescue, SRRs are established to ensure the provision of adequate land-based communications infrastructure, efficient

distress alert routing, and proper operational coordination to effectively support search-and-rescue services.⁴⁰

Tonga is located within New Zealand's SRR and, as such, is in a unique position with regards to the internationally-recognised search-and-rescue system. Tonga and New Zealand have an agreement whereby Tonga only assumes the lead role in coordinating search-and-rescue operations within its 12 nautical mile territorial sea.⁴¹ The New Zealand search-and-rescue authority has primary responsibility for operations in the ocean area surrounding Tonga, extending seaward of the 12 nautical mile territorial sea boundary, although Tonga is often called on to assist New Zealand with operations outside the 12 nautical mile limits. Diagram 2 shows the boundaries of New Zealand's SRR.



Diagram 2: The boundaries of the New Zealand Search and Rescue Region ⁴²

Hence, Tonga has an obligation and responsibilities to meet both national and international requirements for search-and-rescue activities. One of its key challenges, however, is the lack of coordination between the relevant agencies. The details of this challenge, other challenges and associated recommendations in regard to search-and-rescue are examined in more detail in Parts 2 and 3 of this paper.

Part 2: Current maritime security and search-and-rescue arrangements

This part of the paper examines Tonga's existing maritime security, border protection and search-and-rescue arrangements, and highlights some problems as a means to identify areas for policy improvement.

Tonga's maritime security and search-and-rescue responsibilities are shared among various government agencies, including His Majesty's Armed Force (HMAF); Ministry of Foreign Affairs, Trade and Immigration; Tonga Police; Ministry of Infrastructure; Tonga Customs Service; and Ministry of Agriculture, Forestry and Fisheries. Protecting Tonga's sovereignty and sovereign rights are the primary concern of these government agencies, with their maritime security roles focused in two main areas—fishery management and border protection.

In regards to fishery management, the Ministry of Agriculture, Forestry and Fisheries is responsible for the licensing of foreign vessels and monitoring all fishing vessels more than six metres in length operating inside Tonga's EEZ.⁴³ The latter relies on the operation of the vessel's monitoring system, which is monitored centrally through the Pacific Islands Forum Fishery Agency. The HMAF Navy is mandated to conduct actual fishery patrols at sea and to enforce fishery laws.⁴⁴ Other related agencies include the Tonga Customs Services, which certifies export contents (including fish),⁴⁵ the Tonga Police, which supports enforcement of the *Fishery Act*,⁴⁶ and the Marines Division of the Ministry of Infrastructure, which registers marine vessels.⁴⁷

Two other primary government agencies with a responsibility for border protection are the Tonga Customs Services and the Ministry of Foreign Affairs, Trade and Immigration. The Tonga Customs Services is responsible for 'protecting and securing the borders of Tonga, and facilitating trade in Tonga'.⁴⁸ The protection and security roles are basically conducted only at airports and wharves, because the agency does not have the capacity to enable their tasks to reach out further. The Ministry of Foreign Affairs, Trade and Immigration is also responsible for border protection with regards to immigration matters. Other related agencies include HMAF Navy and Tonga Police, which both support enforcement of the *Customs Act*.

The Tonga Police is the 'coordinating authority on all search-and-rescue incidents in the country'.⁴⁹ While Tonga Police holds the authority over coordination, it does not have the necessary capabilities for search-and-rescue tasks. Hence, other relevant agencies (Marines and Ports Division of the Ministry of Infrastructure, including provision of the Coastal Radio network; the Ports Authority; the HMAF Navy; and other local agencies) provide assistance

to the Tonga Police if they are able to help. Tonga Police also works closely with the New Zealand Rescue Coordination Centre with regards to search-and-rescue.⁵⁰

The HMAF Navy is tasked as the lead agency for maritime security and has an overarching role in maritime search-and-rescue. Its primary role is the policing of Tonga's EEZ by enforcing fishing regulations, while it also undertakes a support role with regards to national immigration, customs and quarantine law, and maritime search-and-rescue.⁵¹ HMAF Navy is the only government agency with the necessary capability in terms of platforms, training and personnel to undertake maritime security.⁵²

Under Tonga and Australia's Defence Cooperation Program, three Pacific Patrol Boats were donated by the Australian Government to Tonga between 1989 and 1991, together with a range of training packages and naval advisers posted to Tonga.⁵³ In many cases, Defence Cooperation Program funding has extended to purchasing fuel for the boats, to ensure they can participate in maritime security operations and exercises. The training and assistance provided by Australia under the program has been an important contributor in enabling HMAF Navy personnel to successfully carry out their maritime security and search-and-rescue roles.⁵⁴

Under Tonga's existing arrangements for maritime security and search-and-rescue, six separate government agencies have some role in monitoring the maritime environment for their own needs. The obvious question is how well they carry out their responsibilities with regards to maritime security and search-and-rescue. Although there are very limited capabilities available in-country, it is suggested that the existing capabilities are sufficient to manage fishery, border protection and search-and-rescue if they are effectively utilised. However, this requires robust interagency cooperation and coordination, which arguably is not sufficiently developed at present.

One example is the obvious utility of information sharing. A certain level of trust needs to be developed between the various information-sharing partners. But this willingness to share does not always come easily, as most agencies have tended to operate on a 'need to share' basis. For example, information sharing between the HMAF Navy and other agencies (with expertise, for example, on fisheries, customs, immigration and policing) would clearly enhance the efficiency and effective conduct of maritime patrols, and vice versa. However, despite attempts to achieve better cooperation and coordination, and to build relationships and trust, there is still more that should be done.⁵⁵

Another factor impacting on maritime patrols and search-and-rescue operations is the current allocation of budgetary funding. At present, each government

agency has its own budget allocation for its respective role in maritime security.⁵⁶ For example, the budget for search-and-rescue is allocated to the Tonga Police. But it does not have the capacity to carry out search-and-rescue, so the burden of conducting search-and-rescue activities falls mostly on the HMAF Navy, to the detriment of its ability to conduct maritime patrols.

For example, in 2011, HMAF Navy was able to conduct only eight of its planned 12 maritime patrols, because it needed to divert funding to four unplanned search-and-rescue missions.⁵⁷ It is suggested, therefore, that budget allocations to all concerned agencies should be reviewed, with a view to pooling the currently-dispersed pockets of funding to enable a centralised and more effective use of the available budget for key functions.

Time lost and *ad hoc* actions are also critical issues in search-and-rescue. While Tonga Police is the coordinating agency, its staff has limited training in coordinating search-and-rescue incidents. At times, this has resulted in a lack of coordination with other relevant agencies, or incidents being passed to the HMAF Navy without the necessary information, resulting in a critical loss of time. Such delays are frustrating to all involved, not least because the search becomes more difficult, particularly in cases where large search areas are involved, jeopardising the chances of survival of those at risk, as well as the operation costing more than it should. This could be avoided if there were better processes, readiness and coordination between the relevant Tongan departments and agencies.

Along similar lines, a 2003 UN report on *Aspects of Sea Safety in the Fisheries of Pacific Island Countries* recorded that while various Tonga government agencies are involved in recording data on sea safety incidents, the data is limited to those operations in which they were involved, highlighting the lack of a whole-of-government approach.⁵⁸ Critically, it also reported that the operators of the larger fishing companies in Tonga asserted that most incidents involving their vessels are resolved within the company fleet or between companies, as the 'cumbersome and lengthy procedures to initiate a government search-and-rescue operation ... [mean that] the companies often do their own search-and-rescue work'.⁵⁹

The Royal Commission of Inquiry into the sinking of the MV *Princess Ashika* recommended that a 'clear command structure [should be] established with the Search and Rescue HQ [Headquarters] set up'.⁶⁰ The Secretariat of the Pacific Community's report on foreign fishing vessel security issues in the Pacific Islands region also focused on the problem, saying that:

A lack of connectivity and minimal or no communication between regional agencies and between the various arms of national administrations and indeed with the fishing industry itself, was uniformly obvious to and accepted by all those spoken to during the course of this project. Just as this observation is neither unique nor new, so the reasons for poor inter-agency communications are well-known. These include staff resourcing issues, a natural tendency to resist sharing information and often a general lack of awareness of the wider impact of decisions in one area upon another.⁶¹

As far back as 2008, Sam Bateman and Anthony Bergin suggested that a possible solution is 'a whole of region and a whole of government surveillance concept to overcome the current segmented approach, with regional maritime security spread between functions and agencies both regionally and nationally'.⁶² A 2012 UN report also suggested that the absence of such an approach can inhibit progress in many areas, notably in low-income countries where limited coordination can undermine the delivery of social services and provision of physical security.⁶³

However, for a whole-of-government approach to be effective in Tonga, significant cultural and organisational change would have to occur, such that:

The distinguishing characteristic of whole of government work is that there is an emphasis on objectives shared across organisational boundaries, as opposed to working solely within an organisation. It encompasses the design and delivery of a wide variety of policies, programs and services that cross organisational boundaries.⁶⁴

In summary, Tonga's existing maritime security and search-and-rescue arrangements need urgently to be improved so as to avoid the loss of valuable resources, time and even the loss of lives. Improved cooperation and coordination among the core government agencies is the key issue. As no single country or agency alone can tackle the full range of maritime security issues, there is an urgent need to bring together all stakeholders and their available maritime capabilities in order to put them to the best use in protecting the country's maritime interests and, most importantly, ensuring the safety and security of its people and those within Tonga's area of responsibility. To that end, this paper recommends that Tonga considers a whole-of-government approach to mitigate the challenges identified in the existing maritime security and search-and-rescue arrangements.

Recommendation 3: The Tongan Government should consider a whole-of-government approach to mitigate the challenges identified by this paper in the existing maritime security and search-and-rescue arrangements.

Part 3: Creation of a Joint Maritime Coordination Centre

This part of the paper will discuss the proposed creation of a Joint Maritime Coordination Centre (JMCC). The paper's model for Tonga is the result of research conducted on various models of maritime coordination centres, particularly Australia's Border Protection Command, the Australian Maritime Safety Authority, the New Zealand National Maritime Coordination Centre and the Rescue Coordination Centre New Zealand.

The creation of a JMCC would support the vision of the *Tonga Strategic Development Framework, 2011-2014* 'to develop and promote a just, equitable and progressive society in which the people of Tonga enjoy good health, peace, harmony and prosperity, in meeting their aspirations in life'.⁶⁵ The framework suggested that the delivery of this vision would be facilitated through 'ensuring a more coordinated whole-of-government approach in Tonga's partnership with development partners'.⁶⁶ The aspiration in establishing a JMCC would be to create a robust, whole-of-government approach to managing safety and security in the maritime domain to benefit the people of Tonga.

Failing to protect against a wide range of maritime challenges and risks may result in the seas around Tonga becoming arenas for international organised crime.⁶⁷ Tonga has an obligation and responsibility to act more quickly, even with limited resources, by strengthening cooperation and coordination between different government agencies and national authorities to protect its seas. A shared unity of purpose and effort by all involved is necessary to achieve coherence between all stakeholders, and national policies are required to enable both civil and military authorities to react effectively together.

This paper would argue that the creation of a JMCC is necessary to improve Tonga's maritime security and search-and-rescue capabilities—and that a whole-of-government approach in establishing the JMCC would be the most appropriate tool to ensure the most effective outcome. Hence, the JMCC would bring together the relevant government agencies to work across boundaries towards a shared goal, which would create greater cooperation and coordination, and encourage a sense of ownership. Also, pooling various domains of expertise, experience and ideas could cover blind spots and help lead to a systematic adoption of risk-reduction strategies.⁶⁸

A whole-of-government approach would combine the nation's limited maritime security resources to be put to best use in addressing Tonga's maritime security challenges. It is the manifold and unpredictable nature of maritime security issues, and their cross-jurisdictional complexity, that requires

a coordinated response from the full range of whole-of-government capability to achieve success and to enhance the management of security in Tonga's maritime domain. Furthermore, a JMCC would better assist Tonga in carrying out its national and international obligations for maritime security and search-and-rescue.

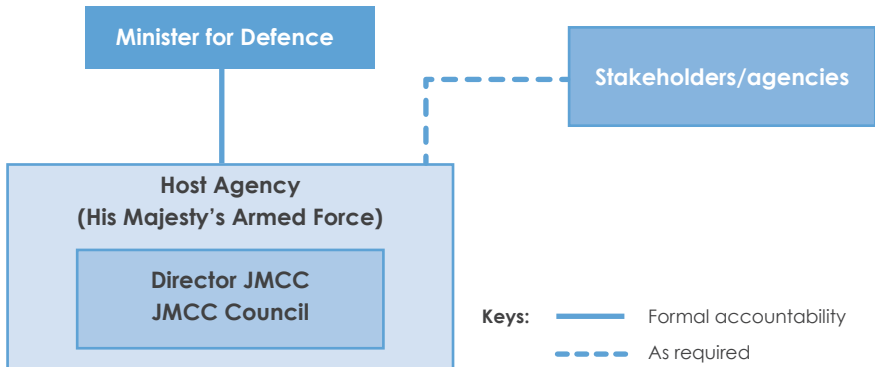
The JMCC structure

The suggested design for the JMCC would be a small, operationally-independent unit, physically located at the premises of HMAF Navy headquarters. For the JMCC, 'operationally independent' refers to the way in which it would carry out its functions of coordinating patrols and search-and-rescue, gathering and providing information about the maritime domain, and identifying policy gaps and issues. It would need to carry out these functions from a whole-of-government perspective and in the interests of all concerned government agencies.

The unit's personnel and administrative support arrangements would be carried out by the host agency, and its work would be overseen by a 'network of Chief Executives' on behalf of the JMCC Council. It is envisaged that the operation of the JMCC would be funded by proportional contributions from agencies represented in the JMCC Council, although the services of the JMCC would be available to any government agency.⁶⁹

The JMCC's structure would have the following key components: JMCC Council, the host agency, Director JMCC and the JMCC. Details of these components are discussed below, and the outline diagram of a JMCC governance structure and accountability relationship is shown in Diagram 3.

Diagram 3: Joint Maritime Coordination Centre governance structure and accountability relationship⁷⁰



The diagram highlights that while the governance of the JMCC would be within an agency, it would not operate in isolation. The diagram shows that the Centre would be accountable to the host agency's Minister for the performance of the JMCC, and that agency would be linked to the Government's wider interests through the JMCC Council, which represents other stakeholders with a key interest in the outcomes of the JMCC, as well as providing a whole-of-government perspective.

The JMCC Council

The function of the JMCC Council would be to discuss strategic-level issues and provide strategic direction for the JMCC. This would enhance whole-of-government coordination and make the most effective use of the country's limited maritime security resources. The JMCC Council would be the key senior-level consultation group for the Chief Executive of the host agency. The purpose of the Council would be to give the Chief Executives of the host agency and the core agencies a mechanism for discussing strategic issues and trends relevant to the focus and work of the JMCC.⁷¹ It is very important to note that successful whole-of-government coordination requires leaders committed to making it work, and buy-in to the coordinated approach from all parties.

Council membership would be made up of the Chief Executives of the five core government agencies with shared responsibilities in maritime security and search-and-rescue, including Tonga Custom Services, Tonga Police, Ministry of Fisheries, Ministry of Infrastructure, and HMAF, as well as representatives from the Ministry of Crown Law and the Prime Minister's Office.

Host agency

The location of a JMCC would be a fundamental consideration, as it needs to be positioned in an appropriate place from where the Centre would efficiently and effectively operate. Hence, it is suggested that the JMCC should be collocated with HMAF Navy headquarters, and that the HMAF (the main provider of the ships used in patrols and search-and-rescue) should be the host agency.⁷² The Chief Executive of the host agency would be formally accountable to the agency's Minister and thereby to Cabinet for the performance and outcomes of the JMCC. The host agency would be responsible for the management and administration of the JMCC.

Director JMCC

The role of Director JMCC would require an experienced person with a comprehensive understanding of maritime security and all aspects of search-and-rescue. Since HMAF Navy officers are already trained and have gained experience

from their sea times engaged in both maritime security and search-and-rescue operations, the Director JMCC position could be appropriately filled by a HMAF Navy officer of the rank of Lieutenant Commander or above. The Director JMCC would be responsible for the efficient and effective operation of the JMCC and would be accountable to the host agency's Chief Executive (and thereby to the Minister for Defence) for the operational performance of the Centre.

JMCC staff

A properly-established and staffed JMCC would bring together key stakeholders into a whole-of-government team where they would all work towards a shared goal of 'maximising the effectiveness of maritime assets for patrol and search-and-rescue'. Hence, appropriate persons who are competent in their respective areas of expertise, drawn from the following core government agencies, would be crucial for the operation of the JMCC: Tonga Customs Services, Tonga Police, Ministry of Fisheries, Ministry of Infrastructure (Marines Division), and HMAF Navy. The anticipated size of the staff for the JMCC should be five members, comprising one representative from each of the mentioned core government agencies.

The primary role of the JMCC staff would be to assist the Director JMCC in implementing the JMCC's functions so as to meet its strategically-directed outcomes. The staff members provided from the agencies do not need to be permanent staff but could be posted on a rotational basis. They could be posted to the JMCC for two to four years, and then be replaced from their respective agencies. Such a rotation would maximise the number of employees from each agency that gain JMCC experience, while building inter-departmental relationships and avoiding boredom.

Recommendation 4: The Government of Tonga should create a Joint Maritime Coordination Centre (JMCC) to coordinate maritime border protection and search-and-rescue functions. The structure of the JMCC should comprise a JMCC Council, Host Agency, Director JMCC and JMCC staff.

JMCC principles

To ensure the effectiveness of the JMCC and to be able to meet the government's needs, the following principles are proposed to guide the operation of the JMCC and the agencies that support it.⁷³ From a strategic perspective, the JMCC would support and protect the government's collective maritime interests, including the enforcement of national and international

laws, fisheries management and law enforcement, including customs and immigration infringements.

The JMCC's activities would reflect a transparent, agreed, whole-of-government approach to relevant aspects of the government's priorities in the above areas. The JMCC would increase the work value through maximising cooperation, assistance and information sharing to the benefit of the government as a whole, while integrating the work of all stakeholders to support a national approach to managing maritime risks.

The principles supporting a whole-of-government approach should include that:

- The JMCC is a single, centralised, operationally-independent entity from which all maritime patrol activities and search-and-rescue operations are coordinated;
- The JMCC takes a national, whole-of-government view to all its operations and, in setting patrol priorities, will be mindful of the government's strategic maritime priorities;
- The JMCC is expected to maintain links across government agencies within the scope of its activities;
- All government maritime patrol and search-and-rescue assets are potentially available for use upon requests from the JMCC; and
- Agencies involved in the JMCC (either as providers, users or both) will provide a collective approach to the overall government outcomes to be achieved.

The principles for JMCC operation should include that:

- Any agency (domestic or international) can call on the services of the JMCC through an appropriate government agency;
- The JMCC has no operational responsibilities other than to coordinate maritime patrols and search-and-rescue operations;
- Threat assessment and risk mitigation strategies remain the function of the assets contributing agency;
- The JMCC can provide advice on observed gaps and issues relating to Tonga's overall maritime domain awareness; and

The JMCC does not own but only coordinates maritime patrol and search-and-rescue assets and related information.

Recommendation 5: Once established, the JMCC should operate under an agreed set of guiding principles, along the lines suggested in this paper.

Mission, functions and roles

At the strategic level, establishment of the JMCC would have two desired functions: to contribute to and support relevant agencies in relation to maritime sovereignty and security, marine resources management, law enforcement, maritime safety, environmental protection and external relations; and achievement of a robust, coordinated, whole-of-government approach to maritime patrol and search-and-rescue.

At the operational level, the JMCC would be responsible for two primary missions, namely to support the effective and efficient use of Tonga's maritime patrol and surveillance assets for the purposes of carrying out maritime patrols; and the coordination of search-and-rescue of human life-at-sea activities in Tonga's area of responsibility. In order to successfully carry out these missions, the JMCC would need to implement three key roles, which include the collection, analysis and dissemination of relevant maritime information; the coordination of maritime patrol and search-and-rescue operations; and coordinating and engaging at national levels with regional arrangements in maritime patrols, search-and-rescue, and operations such as the Pacific Islands Forum's fisheries maritime surveillance Operation KURUKURU and other maritime exercises.⁷⁴

To enable the successful implementation of its functions and roles, the JMCC would carry out the following activities:

- Facilitate interagency cooperation and interoperability, including planning and communications;
- Derive maximum benefit from each surveillance and patrol activity;
- Facilitate wider participation by government agencies in coordinated tasking and access to information;
- Facilitate the effective and efficient flow of relevant maritime-related information between stakeholders; and
- Provide advice on maritime domain awareness, maritime patrol, search-and-rescue, and related issues.

Recommendation 6: Once established, the JMCC should conduct operations in accordance with the missions, functions and roles suggested in this paper.

Maritime patrol strategy

Implementing an effective maritime patrol strategy would be an important part of the JMCC's functions. An inter-departmentally agreed strategy would be required to support the JMCC in maintaining a whole-of-government perspective for maritime patrols and search-and-rescue. It would also be essential to ensure that the nation's limited patrol resources are targeted in the most effective way and according to the government's priorities for the maritime domain.

In the first instance, the HMAF Navy would need to decide how many patrol boats are available for maritime patrols and then prioritise them against military needs. The HMAF Navy would need to plan the use of its patrol boats annually, scheduling known operations (such as KURUKURU), exercises, training requirements, maintenance, and its patrol needs. These annual plans would only be a guide, based on the availability of patrol boats, as the HMAF Navy's own requirements of its patrol boats can change. For example, a patrol boat might be required at short notice for search-and-rescue or other duties.⁷⁵ Nevertheless, the HMAF Navy and the JMCC would need to work closely together to develop an annual, detailed maritime patrol and surveillance plan covering Tonga's EEZ and search-and-rescue region.

Recommendation 7: The JMCC should implement an annual maritime patrol strategy.

Inter-governmental agreements

The development of bilateral or multilateral maritime patrol or search-and-rescue agreements with other Tongan agencies and organisations, and with international authorities or organisations of other nations, would be of practical value for Tonga's maritime patrols and search-and-rescue operations. Such agreements would help to fulfil Tongan domestic obligations and needs; enable more effective use of all available maritime patrol and search-and-rescue resources; build mutual commitment to support the JMCC; resolve sensitive matters in advance of time-critical distress situations (especially in search-and-rescue operations); and identify types of cooperative matters and efforts which may enhance the support of maritime patrols and search-and-rescue operations.

Recommendation 8: The JMCC should be tasked with negotiating agreements with relevant national and international stakeholders, in particular specifying the assistance they are able to provide for maritime patrol and search-and-rescue operations.

Supporting documents

There are a number of key documents which would need to be produced, related to the operation and support of the JMCC. Importantly, they would provide a whole-of-government set of operating policies and standards for agencies involved with the JMCC. These documents are a Governance Framework; a Maritime Risk Management Framework (and associated operating policies and service standards); an Information Sharing Agreement; a Communication Plan; and a Search-and-Rescue Manual.

Recommendation 9: The JMCC should develop and publish the following:

- **Governance Framework to articulate a whole-of-government approach to support the effective coordination of maritime patrols and search-and-rescue operations;**
- **Maritime Risk Management Framework and associated operating policies and service standards for prioritising and allocating patrol resources from a national perspective;**
- **Information Sharing Agreement to enable the JMCC to carry out its functions;**
- **Communication Plan; and**
- **Search-and-Rescue Manual.**

The JMCC should also be responsible for keeping these documents up-to-date and ensuring that core and interested agencies are familiar with their contents. Reviews of these documents would need to be carried out in consultation with the core agencies. Any core or interested agency could request a review of all or part of these documents, if and when needed.

Part 4: Supporting tools

It is considered crucial for the successful implementation of the JMCC's functions of enhancing Tonga's maritime security and search-and-rescue response capability for the Tongan Government to consider signing the Niue Treaty Subsidiary Agreement, and to provide support to its HMAF Beechcraft 18 aircraft.

Niue Treaty Subsidiary Agreement

Illegal, unreported and unregulated fishing poses a real threat to the Pacific regions, as was acknowledged in the Pacific Islands Forum Leaders' call for the implementation of a new strategy to safeguard the region's fish stocks, in the form of the Niue Treaty Subsidiary Agreement.⁷⁶

The agreement provides a robust, legal framework for countries to share resources and exchange fisheries data and intelligence to step up efficiency and save costs when it comes to monitoring fishing vessels in Pacific waters. Signatories to the agreement are at the forefront of regional cooperative endeavours, and show how Pacific island states with limited resources can find innovative ways to move towards solving complex resource protection problems and, through that, ultimately strengthen their maritime security.

The agreement is aligned with Bateman and Bergin's suggestion that cooperation and coordination between the different agencies involved in maritime security, at both the national and regional levels, have become more important.⁷⁷ In 2012, then Australian Parliamentary Secretary for Defence, Senator Feeney, asserted that 'this [Niue Treaty Subsidiary Agreement] will significantly improve the region's ability to conduct multilateral activities, such as Operation KURUKURU'.⁷⁸

Operation KURUKURU 2012, which followed the adoption of the Niue Treaty Subsidiary Agreement in early November 2012, was a large-scale maritime surveillance operation, under the auspices of the Pacific Islands Forum, designed to stop transnational crime including unauthorised fishing, smuggling and people trafficking, with Senator Feeney noting that:

OP [Operation] KURUKURU really does show that as a region we can work together to achieve tangible outcomes for the people of our nations. This operation covered the Cook Islands, the Federated States of Micronesia, Kiribati, Marshall Islands, Nauru, Niue, Palau, Samoa, Solomon Islands, Tokelau, Tonga, Tuvalu and Vanuatu.... Fisheries surveillance and enforcement staff from all these nations, as well as from Australia, New Zealand, France and the United States worked together over a busy two week period toward the same outcomes.⁷⁹

The Tongan Government should take advantage of the benefits available under this maritime monitoring, control and surveillance agreement, and join with other Pacific island countries in signing the Niue Treaty Subsidiary Agreement, which would become a significant tool for enhancing national and regional maritime security

Recommendation 10: The Government of Tonga should sign the Niue Treaty Subsidiary Agreement.

HMAF Beechcraft 18 Aircraft

Air Wing is one of the smallest units of HMAF and has played a significant role in maritime patrols and search-and-rescue. It was established in 1996 and acquired two small aircraft; a Beechcraft 18 and an American Champion Citabria light trainer. The Beechcraft 18 has been used for maritime surveillance, search-and-rescue and medical evacuation, especially from the two most northern islands of Tonga. The Citabria trainer aircraft is being used for training flights by the unit's pilots.

HMAF Navy has used the combined effect of its patrol boats and the Beechcraft 18 as the basis for its maritime patrol activities. The aircraft has done most of the surveillance tasks, while a patrol boat has been stationed in the vicinity as a response platform for any requirement from the aircraft. It has proven very effective and efficient in terms of cost and the area covered in comparison to a patrol conducted by a patrol boat alone. The biggest fine ever issued to an illegal foreign fishing vessel in Tonga was in 2004, which eventuated as the result of the concept of patrolling carried out by a patrol boat together with the Beechcraft 18.⁸⁰

However, in 2007, the Beechcraft 18 aircraft suffered mechanical problems which HMAF could not afford to fix because of financial constraints. The unavailability of this aircraft has had an enormous adverse impact on the way maritime patrol and search-and-rescue activities have since been conducted. In particular, it has increased the cost of such activities because of the greater number of sea days required in using patrol boats where an extensive search has been required. Bateman and Bergin have suggested that air surveillance is the most effective method for the Pacific island countries to monitor large surface areas, including remote and uninhabited islands and reefs.⁸¹

The Beechcraft 18 is one of Tonga's vital assets, capable of making a huge difference to the efficiency and effectiveness of maritime patrols and search-and-rescue operations, and one which could contribute greatly to the

enhancement of Tonga's maritime security if it was operational. Hence, it is recommended that the Tongan Government consider ways to repair the Beechcraft 18 aircraft as a near-term priority.

Recommendation 11: The Government of Tonga should fund repair of the HMAF Beechcraft 18 aircraft.

Part 5: Resource considerations

This part discusses the key resources needed for the creation of the JMCC, including equipment and finance. It will also discuss the strategy for the implementation of this policy.

Equipment

The JMCC would not own any maritime patrol or search-and-rescue assets and it would be collocated at HMAF Navy headquarters (where no new buildings would be needed to house the JMCC and its staff). Hence, the only additional expenses would be the necessary equipment for the Centre, such as communications and office equipment.

Finance

It is suggested that the budget allocation for search-and-rescue and fuel for maritime patrols should be allocated to the JMCC, as well as all financial donations for these programs, such as the funds received from the Australian Defence Cooperation Program for these purposes. These funds (budget plus donations) are approximately A\$400,000, which should be sufficient to conduct programmed maritime patrols and anticipated search-and-rescue responses. Each agency should be responsible for the salary of their respective staff at the JMCC.

The financial requirements for the establishment and operation of the JMCC would be for the purchasing of communication and office equipment, which is estimated as a one-off cost of A\$20,000 and an annual operations cost of approximately A\$80,000. The funding of these items, and any other financial requirements the Centre might incur in the future, could be provided by proportional contributions from the agencies in the JMCC Council.⁸² The other option would be to seek additional funding from international donors, such as Australia and New Zealand, if it is required.

Table 4 below shows the estimated costs for the initial establishment of the JMCC. The annual funding required for sustaining and operating the JMCC would be less than this initial cost, since the costs for purchasing communication and office equipment, as well as the repair of the Beechcraft 18 aircraft, would be one-off costs.

Table 4: Estimated cost for establishment and operation of the JMCC

Expenditure	Estimated cost (AUD)	Remarks
Communication & office equipment	\$20,000	Initial set-up only
Operating costs	\$80,000	For maintenance, transport, training and other operating requirements of the Centre.
Fuel for maritime patrolling and search-and-rescue activities	\$400,000	To be sourced from the existing budget for search-and-rescue and fuel for maritime patrols allocated to government agencies, supplemented by financial donations for search-and-rescue and maritime patrols, such as the funds received under Australia's Defence Cooperation Program (which recently amounted to A\$150,000).
Repair of Beechcraft 18 aircraft	\$60,000	
Total	\$560,000	

Recommendation 12: The Government of Tonga should allocate to the JMCC the current budget allocations for search-and-rescue and maritime patrols, as well as financial donations specifically for these activities from development partners.

Recommendation 13: Tonga Customs Services, Tonga Police, Ministry of Fisheries, Ministry of Infrastructure, and His Majesty's Armed Force should be responsible for the salary of their respective staffs at the JMCC, with other financial requirements to be funded by proportional contributions from these agencies.

Recommendation 14: The Government of Tonga should seek international donor contributions to assist in meeting the financial requirements of the JMCC, as needed.

It is also estimated that with an improved surveillance and maritime patrol capability, Tonga should be able to increase its general revenue by about 10 per cent from fines/seizures from illegal/unauthorised fishing.⁸³ Any such revenue could be used to assist the Tongan Government in sustaining and operating the JMCC.

Implementation strategy

This paper proposes that a strategy to establish a JMCC could be implemented across an 18-month timeframe, organised into five phases. Phase 1 would be the presentation of the concept to all stakeholders, followed by a series of consultation workshops for clarification and opportunities for the stakeholders' input. During this phase, a working committee would also be formed, ideally comprising representatives from the Tonga Custom Services, Ministry of Fisheries, Tonga Police, Ministry of Infrastructure, Ministry of Crown Law, Prime Minister's office and HMAF. This committee would oversee the implementation of the remaining phases.

Phase 2 would be the distribution of the policy to the Chief Executives of all relevant government agencies and non-government organisations. Phase 3 would be a submission to the Ministry of Crown Law in relation to any legal implications. Phase 4 would be a submission to Cabinet for approval, and Phase 5 would be preparations for the establishment of the JMCC. One of the essential components of this phase would be training focusing on the new organisational and process arrangements for maritime patrol and search-and-rescue operations, and the operating concept of the JMCC. This training would ideally need to be conducted by experts from either Australia or New Zealand and would, therefore, require a request for assistance from one or both countries.

Table 5: Proposed implementation timeline for the JMCC

Goal	Leading staff	Time line	Remarks
Phase One: Induction presentation and consultation workshops	HMAF	Months 1-4	Invitations to be extended to all interested stakeholders. Working Committee to be formed to oversee the implementation of the remaining phases.
Phase Two: Distribution of the proposed policy to the Chief Executives of relevant government agencies and non-government organisations.	JMCC working committee	Months 5-6	
Phase Three: Submission to the Ministry of Crown Law for consideration of any legal implications.	JMCC working committee	Months 8-9	
Phase Four: Submission to Cabinet for approval.	JMCC working committee	Month 10	
Phase Five: Preparations for the establishment of the JMCC	Director JMCC & the JMCC working committee	Months 11-18	Identify Director JMCC and staff of the JMCC. Submission of JMCC budget for initial financial year. Conduct of training.
Official opening of the JMCC	Director JMCC and the hoist agency, HMAF	Month 18>	

Recommendation 15: The Government of Tonga should consider an implementation strategy for the establishment of the JMCC, along the lines proposed in this paper.

Part 6: Impact analysis

This part will analyse the impact of the establishment of a JMCC in terms of benefits and risks, as well as the measures to be taken to mitigate the potential risks.

Benefits

The primary benefit of the creation of a JMCC would be the enhancement of Tonga's maritime security by ensuring an improved, more efficient and more effective way of conducting maritime patrol and search-and-rescue. This would be realised through the implementation of a robust whole-of-government policy and framework for the establishment of the JMCC. It is a concept that would establish a unified effort between the relevant government agencies to maximise all available maritime security and search-and-rescue resources in a collaborative effort, which would increase productivity and effectiveness through realising the synergies of teamwork and collective ownership.

As this strategy should result in a more cost-efficient approach to conducting maritime security and search-and-rescue, achieving cost efficiencies would also be a significant benefit at a time when public spending is under pressure and resources are limited. As the strategy for the JMCC is to pool together the nation's available capabilities and put them to their best use through better coordination and cooperation, the end product should be a more efficient and effective outcome. Also, pooled funding should foster integrated planning and allowing for greater flexibility in support of maritime patrol and search-and-rescue activities.

Implementing a more efficient and cost effective maritime patrol and search-and-rescue management process would also reflect Tonga's appreciation of its development partners' assistance in these areas, which prospectively would encourage the development partners to continue their support and financial assistance. As already discussed, most available assets including the Pacific Patrol Boats, training, advisers and funding support, have already been or are being donated by the Australian Government. Putting these donations to their best use for optimum results would demonstrate Tonga's appreciation of Australia's assistance. As the JMCC's primary function would be to capitalise on the efficiencies of combined maritime assets for patrol and search-and-rescue, development partners like Australia would be encouraged to continue providing assistance to that particular project.

Increased productivity and effectiveness should also be obtained through the synergies of teamwork in the JMCC. The benefits to be gained from unity of effort have been proven time and again, reflected in any successful organisation's aspiration to harness the synergies of team-work. The establishment of the

JMCC would promote this concept, as it would require a coordinated effort across the nation, including both public and private sector organisations, and international partners. Maritime security benefits would be enhanced through the increased participation of all maritime stakeholders.⁸⁴

The JMCC would introduce governance and accountability mechanisms for the conduct of maritime security and search-and-rescue. It would be a significant benefit of the JMCC because such mechanisms provide checks and balances to ensure better management and governance in the process of achieving strategic and operational objectives. Enhanced governance and accountability would also improve the management of finances allocated to maritime activities. Historically, when departments struggle to meet their objectives because of limited budgets, those not classified as high priority are dropped, and the funds are allocated to other activities with a higher priority.

In Tonga's case, maritime security and search-and-rescue are not considered a high priority by some agencies. However, the JMCC's only purpose would be to support the effective and efficient use of Tonga's maritime patrol and surveillance assets for the purposes of carrying out maritime patrols and the coordination of search-and-rescue in Tonga's responsibility area. Therefore, this paper has proposed that the funds allocated for the purposes of maritime security and search-and-rescue would be better managed under the JMCC governance and accountability mechanisms, to ensure that all allocated funds are utilised only for their specified purposes. This would increase the number of maritime patrols conducted, and provide more effective surveillance and deterrence.

The JMCC's whole-of-government approach would also provide other benefits for individuals, agencies and for the government overall, such as development opportunities for individuals to learn together and from each other, and maximising information and communication opportunities between agencies. Collective decision-making would also be better informed, enhanced opportunities would be provided to improve government engagement with individuals and communities, and Tonga would have an improved capacity for immediate response in times of crisis.

Risks

For the purposes of this paper, risk includes both possible threats and opportunities, and the potential impact these may have on the ability of the JMCC to meet its objectives. That is, risk relates both to challenges and opportunities for the JMCC.⁸⁵ Hence, the potential key risks that the JMCC would face include the challenge of reworking existing relationship structures and building a culture of cooperation; and the challenge of bridging differences in organisational culture among the stakeholders.

Rework existing relationship structures and build a culture of cooperation

The first two steps in the successful establishment of a JMCC would be to obtain the unequivocal cooperation of the Chief Executives of the relevant government agencies, and align the necessary political interests to support the concept. It is understandable that the heads of agencies may fear losing control over human and financial resources, and may have reservations about making them available for implementing a whole-of-government approach to a JMCC.

The challenge of bridging differences in organisational culture among the stakeholders

Each agency has its own unique organisational culture, professional or technical language, and norms and definitions of success. Each agency also has a perception of other agencies which can be based on stereotypes that militate against mutual understanding and collective action. Any such differences would clearly be a challenge in trying to achieve the required unity of approach to the establishment of a JMCC. Moreover, especially in the initial establishment phases of the JMCC, any such differences could act as a disincentive for departments to work collaboratively with other government counterparts, in turn hindering the achievement of the JMCC's objectives.

Mitigation measures

Having an effective and consensually-agreed implementation strategy would mitigate the risks identified. The implementation strategy detailed in this paper should assist in enabling the process of the establishment of the JMCC to be successful. Hence, its first phase would be an awareness strategy (induction presentation and consultation workshop) to inform relevant stakeholders about the concept and the benefits of the JMCC to the country's maritime security and search-and-rescue.

It would also provide the opportunity for the stakeholders to discuss and express their views, which would be crucial inputs to the collective ideas for enhancing the policy framework of a JMCC. Phase 2, the submission of this policy to the Chief Executives of relevant government agencies, would aim to achieve their 'ownership' of the JMCC, in order that a whole-of-government approach could then be progressed with the roll-out of the remaining phases.

Phase 5 of the implementation strategy, relating to preparations for the establishment of the JMCC, would include a training focus on change management, building trust among agencies, and establishing the necessary communications and operating processes of the JMCC. Experts in these fields from development partners such as Australia and New Zealand would ideally be sought to run these trainings sessions. Additionally, change management mechanisms would need to be incorporated

into the JMCC's whole-of-government approach to the conduct of operations. It is suggested that by conducting such training and incorporating change management mechanisms into the operational processes of the JMCC, the challenge of bridging differences in organisational culture among the stakeholders would be mitigated.

Conclusion

Without significant action, Tonga's sovereign rights to protect and exploit resources within its EEZ will continue to be limited by the gaps which exist in the delineation of its EEZ boundaries. The unresolved issue of its EEZ border with Fiji needs to be addressed as a crucial step in maintaining peace and stability between these two island nations. Additionally, there is an urgent need, under international law, for Tonga to enact appropriate laws governing the deep-sea mining industry, not least to protect the state from liability. The existing arrangements for the conduct of maritime security and search-and-rescue also feature a range of challenges which undermine safety and security within Tonga's maritime domain.

Furthermore, the nature of the challenges in the existing maritime security and search-and-rescue arrangements have, and will continue, to expose Tonga to the risk of even greater maritime security challenges unless they are urgently addressed. These maritime security challenges often cross jurisdictional boundaries, constantly change and adapt, and offer no simple solutions. This paper has argued that Tonga's strategic objectives can only be optimally achieved by the cohesive and synergistic effects of a whole-of-government approach. Hence, it has proposed the establishment of a Joint Maritime Coordination Centre, with an implementation strategy based on a robust, whole-of-government approach, to address the challenges of the existing maritime security and search-and-rescue arrangements.

The recommendations made in this paper are based on a detailed analysis of the problems identified in Tonga's approach to date of meeting its rights, obligations and responsibilities under UNCLOS, and the requirements to improve Tonga's maritime security and search-and-rescue arrangements. They propose policies, strategies and actions necessary to address the challenges identified. If the government implements all the recommendations of this paper, Tonga would be more capable of fulfilling its national and international obligations and responsibilities, and have greatly enhanced maritime security.

Notes

- 1 According to the UN Convention on the Law of the Sea (UNCLOS), 'archipelago' means a group of islands, including parts of islands, interconnecting waters and other natural features which are so closely interrelated that such islands, waters and other natural features form an intrinsic geographical, economic and political entity, or which historically have been regarded as such.
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- 3 One of the primary purposes behind establishing an EEZ is to clarify the rights of individual nations to control the fish harvests off their shores. UNCLOS defines an EEZ as a 'region that stretches a distance of no more than 200 nautical miles from a nation's baselines' and also stipulates, *inter alia*, that within its EEZ, a nation may explore for and exploit the natural resources (both living and inanimate) found both in the water and on the seabed, may utilise the natural resources of the area for the production of energy (including wind and wave/current), may establish artificial islands, conduct marine scientific research, pass laws for the preservation and protection of the marine environment, and regulate fishing : see Articles 55-57 of Part 5 of UNCLOS, available at <http://www.un.org/depts/los/convention_agreements/texts/unclos/part5.htm> accessed 23 March 2015.
- 4 Secretariat of the Pacific Community, *Tonga Country Profile*, Secretariat of the Pacific Community: Noumea, September 2008, p. 1.
- 5 Tu'akolo, *Economic Issues in the Fisheries Sector of Tonga*, p. i.
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- 7 IHS Jane's, 'Transnational Crime Proves Problematic in Pacific Islands', *Jane's Intelligence Review*, Article 1, 17 November 2006, p. 2.
- 8 Yoichiro Sato, 'Protecting Tonga's Maritime Security', *New Zealand International Review*, Vol. 37, No. 5, September/October 2012, p. 17.
- 9 Sato, 'Protecting Tonga's Maritime Security', p. 17.
- 10 Pacific Transnational Crime Network, *Transnational Crime Assessment, 2012/2013 Report*, Pacific Transnational Crime Coordination Centre: Suva, 2013, p. 15.
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- 12 Joe McNulty, 'Western and Central Pacific Ocean Fisheries and the Opportunities for Transnational Organised Crime: Monitoring, Control and Surveillance (MCS) Operation Kurukuru', *Australian Journal of Maritime and Ocean Affairs*, Vol. 5, No. 4, 2013, p. 146.
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- 14 The term 'maritime security' is used here to cover the risks associated with drug smuggling, piracy and armed robbery against ships, stowaways, migrant smuggling and the threat of terrorism. These are all activities that involve the criminal abuse of the maritime transportation system and might involve delays and disruption to the movements of commercial shipping. See Sam Bateman, 'Capacity Building for Maritime Security Cooperation: what are we talking about?', in P. Cozens and J. Mossop (eds.), *Capacity Building for Maritime Security Cooperation in the Asia-Pacific*, a selection of papers presented at the CSCAP Study Group Meeting on Maritime Security Cooperation, held in Kunming, China in December 2004 and New Delhi, India in April 2005, Centre for Strategic Studies: Wellington, 2005, pp. 3-23.
- 15 Sato, 'Protecting Tonga's Maritime Security', p. 17.
- 16 See, for example, Pesi Fonua, 'Ferry sinks in rough Pacific waters off Tonga, dozens feared dead', *Gaea Times*, 6 August 2009, available at <<http://news.gaeatimes.com/ferry-sinks-in-rough-pacific-waters-off-tonga-dozens-feared-dead-132723/>> accessed 23 March 2015.
- 17 Royal Commission of Inquiry into the Sinking of the MV *Princess Ashika*, *Final Report of the Royal Commission of Inquiry into the Sinking of the MV Princess Ashika*, Tongan Government: Nuku'alofa, 31 March 2010, p. iv.
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- 19 Sam Bateman and Anthony Bergin, *Maritime Security*, Special Report, Issue 12, Australian Strategic Policy Institute (ASPI): Canberra, March 2008, p. 59.
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- 21 Alan Ryan, 'Interagency Cooperation: theory and practice', lecture notes, Centre for Defence Strategic Studies, Australian Defence College: Canberra, 30 July 2014.
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- 28 South Pacific Forum Secretariat, 'South Pacific Forum', p. 3.
- 29 UN, *Regional Compendium of Fisheries Legislation (Western Pacific Region)*, p. 728.
- 30 UN, *Regional Compendium of Fisheries Legislation (Western Pacific Region)*, p. 729.
- 31 UN, *Regional Compendium of Fisheries Legislation (Western Pacific Region)*, p. 729.
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Biographical details

A large blue graphic with a white border and a curled corner effect, resembling a page being turned. The text "Biographical details" is written in white on the blue background.

Chris Brookes

Department of Defence

Chris Brookes is an Executive Level 2 APS in the Department of Defence. He graduated from ANU in 2002 with a double degree in Economics and Information Technology. He has since held a number of roles in both industry and government, primarily in the cyber and information security field, including with Deloitte, the Australian Bureau of Statistics, CRS Australia and Verizon Business.

In 2010, Chris took up a role within Defence in the cyber security field, providing ICT security advice, assistance and expertise to Defence and the broader Australian Government. In January 2013, Chris was seconded to the Chief Information Officer Group in Defence to undertake a review and reform of ICT security in Defence. He attended the Defence and Strategic Studies Course at the Centre for Defence and Strategic Studies at the Australian Defence College in 2014, and was awarded a Master of Arts (Strategic Studies) from Deakin University.

Andrew Cosh

Department of Defence

Andrew Cosh joined the Australian Public Service in 2002, working for the Department of Health and Ageing, the Department of Transport and Regional Services, and the Department of Prime Minister and Cabinet, before joining Defence in 2007. He has worked in Strategic Policy Division, as a Departmental Liaison Officer in the office of the Minister for Defence Personnel, Materiel and Science, and in Capability Investment and Resources Division as Director Capability Analysis-Air Systems.

Andrew has a Bachelor of International Studies, an Honours degree and a Master of Arts (International Relations), all from Flinders University. He attended the Defence and Strategic Studies Course at the Centre for Defence and Strategic Studies at the Australian Defence College in 2014, and is working towards a Master of Arts (Strategic Studies) from Deakin University.

Colonel Justin (Jake) Ellwood, DSC Australian Army

Colonel Ellwood graduated from the Royal Military College, Duntroon in 1990. His early postings included the 2nd/4th Battalion, The Royal Australian Regiment, an instructor at the Royal Military College, Duntroon, an exchange with the Irish Guards in Germany, which included deployment on Operation AGRICOLA in Kosovo, and service in the 5th/7th Battalion, The Royal Australian Regiment, which included deployment to East Timor.

After completing Australian Command and Staff College, he served as the Brigade Major of the 1st Brigade. In 2007-08, he was Commanding Officer of the 5th Battalion, The Royal Australian Regiment, which included deployments in both Iraq and East Timor. He was then posted as the Australian Army Liaison Officer to the US Marine Corps. He has also served as Director of Reserves-Army and as Commander of the Australian Army's Combat Training Centre.

Colonel Ellwood has a Bachelor of Arts from Deakin University, a Masters of Management (Defence Studies) from the University of Canberra, and a Graduate Diploma in Secondary School Education from Monash University. He attended the Defence and Strategic Studies Course at the Centre for Defence and Strategic Studies at the Australian Defence College in 2014, and is working towards a Master of Arts (Strategic Studies) from Deakin University.

Commander Sione Uaisele Fifita Tonga Defence Services

Commander Fifita joined the Tonga Defence Services in 1985. In 1988, he successfully completed the Infantry Officer Basic Course at Fort Benning, US. In 1989, he attended the Royal New Zealand Naval Officer Training School until June 1990. He was commissioned as Ensign in 1991 and served his first sea tour on the Tonga Defence Services Patrol Boats.

In 1994, he was appointed the Naval Adviser to the Tongan Contingent Commander, Pacific Peace Keeping Force in Bougainville. He was appointed as the Executive Officer of the Tonga Navy in 1995. Commander Fifita attended the Australian Joint Command Staff in 2002. He was then appointed as the Acting Commanding Officer of Training in 2003 and became the Component Commander of the Tongan Navy from 2004 (until 2012).

In 2008, he was posted to the US Central Command, Tampa, Florida as the Tonga Senior National Representative at Coalition Headquarters. He was appointed as the Contingent Commander of Tonga's second contingent to Afghanistan in 2011. He assumed the appointment as Component Commander, Training in February 2013. Commander Fifita attended the Defence and Strategic Studies Course at the Centre for Defence and Strategic Studies at the Australian Defence College in 2014, and was awarded a Master of Arts (Strategic Studies) from Deakin University.

Colonel David Hay

Australian Army

Colonel Hay joined the Army in 1989 and graduated from the Royal Military College, Duntroon to the Royal Australian Signals Corps. He has held a variety of regimental appointments, including at the Defence Force School of Signals, 2nd Signal Regiment, North West Mobile Force, and 152nd Signal Squadron. He has also served as Officer Commanding 229th Signal Squadron, 7th Signal Regiment, British Army, based in Germany, and commanded the 1st Signal Regiment in Brisbane. In this command role, he also was the communications advisor to the Commander, Headquarters 1st Division. In 2011-13, he was Commandant of the Army Recruit Training Centre, Kapooka.

His staff appointments include Aide de Camp to the Commander of the 1st Division and Deployable Joint Force Headquarters (1999), desk officer for Electronic Warfare Development within Knowledge Systems, and a senior communications advisor, Directorate of Network Centric Warfare in Army Headquarters, interjected by a short stint as the Director Coordination Army in the Office of the Chief of Army. His operational experience includes service as a Troop Commander with the Force Communications Unit UN Transitional Authority Cambodia 1992/93, Staff Officer to the Commander INTERFET for Operation STABILISE in East Timor 1999/2000, and with British Forces Bosnia and Kosovo during 2005. His most recent operational appointment was as the Commanding Officer, Force Communications Unit Three and communications advisor to the Commander Joint Task Force 633, Middle East Area of Operations.

Colonel Hay holds a Bachelor of Technology from Deakin University, a Graduate Diploma in Defence Studies from Deakin University, and a Masters of Management Studies from the University of NSW. He is also a graduate of the Australian Technical Staff Officers Course and the Australian Command and Staff Course. He attended the Defence and Strategic Studies Course at the Centre for Defence and Strategic Studies at the Australian Defence College in 2014, and was awarded a Master of Arts (Strategic Studies) from Deakin University.

Group Captain Matt Hegarty, CSC

Royal Australian Air Force

Group Captain Hegarty joined ADFA in 1988 and, after graduating with a Science Degree, commenced pilot training in 1991 at RAAF Base Point Cook. After graduating, he was posted to fly C-130E Hercules at No. 37 Squadron RAAF Base Richmond. His subsequent postings included Aide-de-Camp to the Air Officer Commanding at Headquarters Logistics Command, No. 36 Squadron to fly the C-130H, and as Executive Officer to a staff position at Headquarters Air Lift Group.

After attending the Australian Command and Staff Course in 2005, his postings included Executive Officer in No. 86 Wing, command of No. 37 Squadron, and a staff position within the Air Force Personnel Directorate. In April 2011, Group Captain Hegarty was posted on promotion as Director of the KC-30A Transition Team. He has completed two operational deployments to the Middle East.

Group Captain Hegarty has a Masters of Management in Defence Studies (University of Canberra) and attended the Defence and Strategic Studies Course at the Centre for Defence and Strategic Studies at the Australian Defence College in 2014, where he was awarded a Master of Arts (Strategic Studies) from Deakin University.

Colonel Paul Kenny, DSC, DSM Australian Army

Colonel Kenny graduated from the Royal Military College, Duntroon in 1989. His regimental service has included 2nd/4th Battalion The Royal Australian Regiment, 1st Commando Regiment, 4th Battalion (Commando) The Royal Australian Regiment and 2nd Commando Regiment. He commanded the Special Forces Training Centre from 2006-07 and commanded 4th Battalion (Commando)/2nd Commando Regiment from 2008-09 (and was the first Commanding Officer 2nd Commando Regiment).

His extra-regimental service has included an instructional appointment at the Land Warfare Centre, and a staff posting in Army Headquarters. In 2010, he was seconded to the Department of the Prime Minister and Cabinet as the Senior Adviser Defence Policy and Operations. Subsequently, he served in Special Operations Command as the Director of Operations and Plans.

He has served on multiple operational deployments, including Bougainville, the Solomon Islands and Sierra Leone. From July 2008 to January 2009, he deployed to Afghanistan as the Commanding Officer Task Force 66, the Australian Special Operations Task Group-Afghanistan. He again deployed to Afghanistan in late 2012 as the CJ5 NATO Special Operations Component Command-Afghanistan, before being appointed in May 2013 as the Commander International Security and Advisory Force-Special Operations Forces.

Colonel Kenny attended the inaugural Australian Command and Staff College at Weston Creek in 2001. He has a Bachelor of Professional Studies (Disaster Management) and a Graduate Diploma of Defence Studies. He relinquished his 2013 promotion to Brigadier to attend the Defence and Strategic Studies Course at the Centre for Defence and Strategic Studies at the Australian Defence College in 2014, where he was awarded a Master of Arts (Strategic Studies) from Deakin University.

Captain Scott Lockey, CSC Royal Australian Navy

Captain Lockey joined ADFA in 1988. He studied aeronautical engineering and graduated with an honours degree in 1991. Since then, he has held a wide variety of positions in helicopter design and maintenance, aviation regulation development, and helicopter-related project management. He has worked extensively with the Navy's Seahawk 'Classic' helicopter fleet, having served on 816 Squadron three times. He has worked at sea with multiple types of helicopters on a number of ship classes, including Adelaide class frigates, landing platforms amphibious, hydrographic ships, and Royal Fleet Auxiliary. He has also served on exchange with the Royal Navy. From August 2009 to December 2013, he was Project Director for Air 9000 Phase 8, the Seahawk 'Romeo' acquisition project.

Captain Lockey attended the inaugural Australian Command and Staff Course in 2001, gaining a Masters of Management in Defence Studies from the University of Canberra. He attended the Defence and Strategic Studies Course at the Centre for Defence and Strategic Studies at the Australian Defence College in 2014, and was awarded a Master of Politics and Policy from Deakin University.

Colonel Russell Maddalena, CSM Australian Army

Colonel Maddalena graduated from the Royal Military College Duntroon in 1990 and was commissioned into the Royal Australian Engineers. His early career included a range of command, operations and training appointments, as well as long-term schooling in the US and Canada on Explosive Ordnance Disposal and Chemical, Biological, Radiological and Nuclear Defence.

In 2006, he spent six months as the Chief of Future Operations at the US Joint Improvised Explosive Device (IED) Defeat Organization, before returning to Australia to serve in the ADF's Counter IED Task Force. In 2008-09, he was Commanding Officer of the Incident Response Regiment in Special Operations Command. His more recent appointments have included Director Operational Plans at Joint Operations Command, and Director Special Operations Support at Special Operations Headquarters.

He has served in Rwanda and East Timor, and multiple times in both Iraq and Afghanistan, including at the Joint Command Headquarters in Afghanistan in 2009-10. Colonel Maddalena holds a Bachelor of Professional Studies (majoring in Emergency Management) and a Masters of Management (Defence Studies). He attended the Defence and Strategic Studies Course at the Centre for Defence and Strategic Studies at the Australian Defence College in 2014, and was awarded a Master of Arts (Strategic Studies) from Deakin University.

Captain Katherine Richards, CSC

Royal Australian Navy

Captain Richards is a Marine Engineer Officer who has served in the RAN for 26 years. She spent much of her early career at sea in HMAS *Canberra* and HMAS *Newcastle*, and working in waterfront engineering roles. She was part of the commissioning crew of the Leeuwin-class hydrographic ships and served as the Marine Engineer Officer in HMAS *Melbourne*. During her time at sea, Captain Richards participated in operations in the Southern Ocean (Operation STANHOPE), the Solomon Islands (Operation TREK) and the Persian Gulf (Operation SLIPPER).

Her more recent appointments have included Staff Officer to VCDF, Directing Staff at the Australian Command and Staff College, and Director LHD Systems Program Office in the Defence Materiel Organisation, as well as Command of HMAS *Cerberus*. She has a Bachelor of Engineering with 1st Class Honours from the University of NSW, a Master of Science in Marine Engineering from University College London, and a Master of Management in Defence Studies from the University of Canberra. She attended the Defence and Strategic Studies Course at the Centre for Defence and Strategic Studies at the Australian Defence College in 2014, and was awarded a Master of Arts (Strategic Studies) from Deakin University.



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