INDO-PACIFIC STRATEGIC PAPERS

The United States' Asia-Pacific Policy and the Rise of the Dragon

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AUGUST 2015

VICE CHIEF OF THE DEFENCE FORCE
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Abstract

This paper examines the shifting balance of power in the Asia-Pacific region brought about by China's economic and social transformation. It examines the US 'pivot' to the Asia-Pacific, and China's likely responses, with a particular focus on the implications for Australia.

The paper notes that although increased strategic competition between China and the US can be expected, the economic interdependencies between them make conflict unlikely. It concludes that a more likely outcome is that China and the US will eventually arrive at some form of power-sharing arrangement, likely requiring greater recognition by the US of China's role and influence in the region. However, whether that accommodation can be achieved peacefully, and how this will affect Australia, will likely rest just as heavily on the US as it does on China.

The United States' Asia-Pacific Policy and the Rise of the Dragon

Introduction

For the last four decades, the US has maintained its position as a hegemonic power within the Asia-Pacific region. This has created a stable regional order, enabling economic growth which has transformed the region. But now the regional order is shifting. China's economic and social transformation has empowered its global influence. It is engaging more broadly and has become more assertive, both in its force posture and international relations.[1]

As the US responds by 'pivoting' its strategic focus to the Asia-Pacific, the obvious question is whether the region is heading towards conflict as a prelude to the rise of one great empire and the fall of another.[2] To frame this analysis, the first section of this paper describes US policy and its objectives. It then analyses China's likely responses to the US pivot, and discusses the implications for Australia.

The paper concludes that although increased strategic competition between China and the US can be expected, the economic interdependencies between them make conflict unlikely. It concludes that a more likely outcome is that China and the US will eventually arrive at some form of power-sharing arrangement, likely requiring greater recognition by the US of China's role and influence in the region. However, whether that accommodation can be achieved peacefully, and how this will affect Australia, will likely rest just as heavily on the US as it does on China.

US Asia-Pacific policy

After President Barack Obama's election in 2008, he ordered a review of US global strategy and force disposition.[3] The review found an imbalance in the global focus of US national power, with US force posture, in particular, unduly skewed towards Europe and the Middle East.[4] In response to the review's findings, Secretary of State Hillary Clinton in 2011 spearheaded the first of a number of US policy announcements indicating that the US would be expanding its already significant role in the Asia-Pacific.[5]

The key objective of the new US policy was to devote more effort to influencing the development of Asia-Pacific norms and rules in response to China's growing influence.[6] Clinton asserted in October 2011 that:

> [A]s the war in Iraq winds down and America begins to withdraw its forces from Afghanistan, the United States stands at a pivot point.... In the next ten years, we need to be smart and systematic about where we invest ... so we put ourselves in the best position to sustain our leadership, secure our interests, and advance our values.[7]

More broadly, US policy consists of six lines of effort: strengthening security alliances; deepening relationships with emerging powers; engaging regional multilateral institutions; expanding trade and investment; expanding military presence; and advancing democracy and human rights.[8] However, in a number of early policy statements, there was some confusion about the term used to describe the policy—whether it was a 'pivot' or 'rebalancing'—with a number of negative connotations surrounding the use of the word 'pivot'.

While the US Government was quick to re-shape the language by labelling the strategy one of 'rebalancing', both terms have persisted. The ambiguous language of a number of these announcements has contributed to Chinese concerns as to US motives, with an often-voiced concern that the US is intent on the 'containment' of China.[9] However, US officials have refuted such concerns, asserting that although the initial US policy focused on the Asia-Pacific region, the term 'Indo-Pacific' arguably better reflects both the growing geostrategic importance of India and the Indian Ocean, and current US policy intent.[10]

A review of Indo-Pacific and Australian media coverage, as well as official announcements, reveals that by mid 2012 the comprehensive nature of the US 'rebalancing' policy had been replaced by a focus on a military shift towards Asia and the strengthening of regional security alliances.[11] This shift has included the planned move of 60 per cent of US naval and air forces into the Indo-Pacific region by 2020, the repositioning of forces as depicted in Figure 1 (overleaf), the adoption of Joint Entry Operations and Air-

Sea Battle Concepts to counter Chinese (and Iranian) anti-access and area-denial capabilities, and an undertaking that the policy would be spared from sequestration.[12] Additionally, it has been announced that the 'rebalance' would be accompanied by the establishment and upgrade of a number of US bases in the Asia-Pacific region.[13]

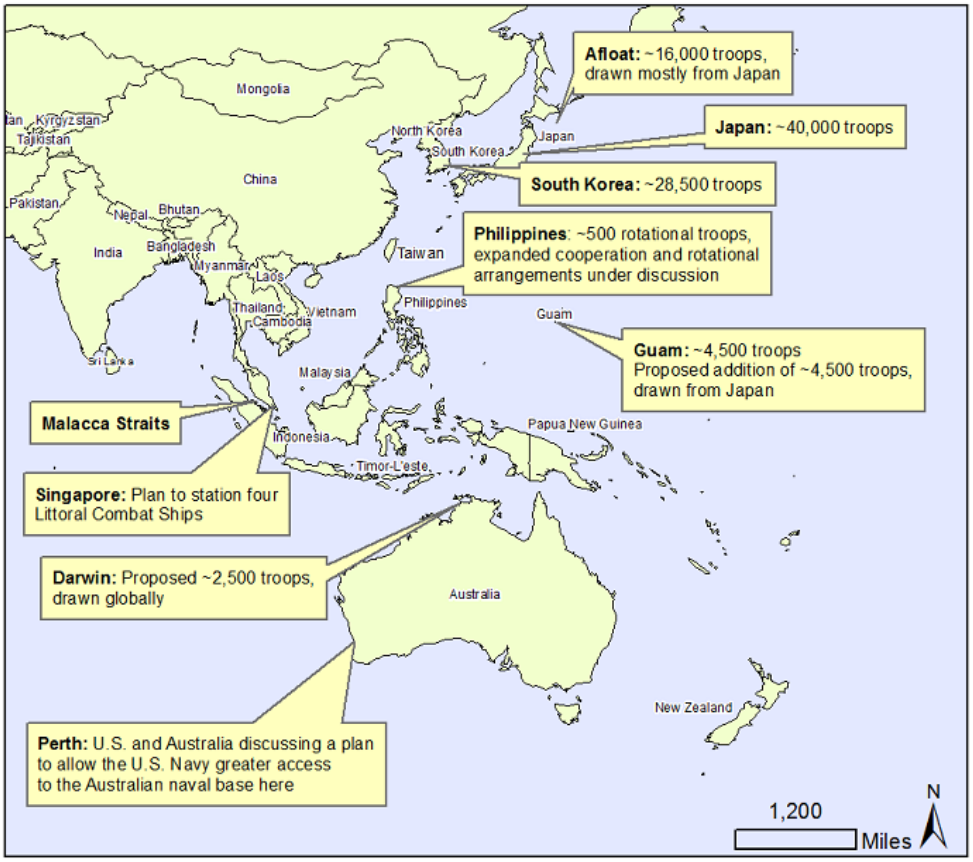

Figure 1. 'Rebalanced' US troop deployments and plans in the Asia-Pacific region[14]

Three years on, there have been some notable successes, such as enhanced US security arrangements with a number of Southeast Asian countries, the renewal of a long-term security pact between the US and India, historic commitments by the US and China on climate change, and increasing US influence in the proposed Trans Pacific Partnership trade agreement. Nevertheless, the 'rebalance' remains open to criticism, both domestically and abroad. In particular, there is concern that the 'rebalance' has fallen victim to budget cuts, domestic political agendas, growing Middle Eastern priorities and the rise of Islamic State, and has actually resulted in an increase in Chinese assertiveness.[15]

Enter the Dragon: China's response

One of the aims of the US 'rebalance' was to reassure its regional allies and partners of America's commitment to the region and its ongoing leadership.[16] However, according to Japanese Coast Guard reporting, there has been a rise in Chinese incursions into the waters surrounding the Senkaku/Diaoyu Islands following the 'rebalance'.[17] Similar trends have been reported in the South China Sea in areas contested by The Philippines and Vietnam.[18]

In relation to competing claims in the South China Sea, both Vietnam and Malaysia made submissions to the UN Commission on the Limits of the Continental Shelf in May 2009, seeking to extend their claims beyond the normal 200 nautical mile boundary.[19] At the time, China claimed the proposals severely

impinged on its sovereignty and submitted a counter claim—commonly referred to as the 'nine-dash line'—encompassing much of the South China Sea, including areas claimed by Taiwan, Vietnam and The Philippines.[20] Since then, China has markedly increased its maritime activity in the area, and commenced substantial land reclamation on several of the disputed islands.

Some commentary has questioned whether China's behaviour is either new or assertive.[21] However, on balance, it would seem that China has become more assertive in response to the US 'rebalance', demonstrating an intent both to reinforce its sovereignty and protect its national interests, regardless of international criticism.[22] It has also been suggested that China's response may indicate a considered shift in foreign policy, signalling that Beijing is no longer content with what it would presumably see as US-dominated Asia-Pacific norms and rules of the past.[23]

For over 40 years, Asia's relative stability has facilitated sustained economic growth and transformed the region. This stability has been underpinned by the 1972 diplomatic agreement between China and the US which restored relations and included, *inter alia*, US recognition of Beijing over Taipei.[24]

However, a lot has changed in the interim. Since initiating market reforms in 1978, China has experienced rapid economic and social development. With a population in excess of 1.3 billion, China recently became the world's second largest economy. Its economic and diplomatic influence has grown accordingly and, fuelled by economic growth, China's military has engaged in an expansive modernisation program enabling a broader scope of employment, and the development of anti-access/area-denial capabilities to counter US military dominance in the Indo-Pacific. [25]

Based on current trends, China is predicted to become a global super power beyond 2020.[26] However, China remains a developing country; its market reforms are incomplete and almost 100 million people live below the national poverty line.[27] Many believe the legitimacy and longevity of the ruling Chinese Communist Party rests on its ability to achieve continued economic growth, guarantee access to the resources required to sustain this growth, and maintain the social cohesion of China's population.[28] It is conceivable, therefore, that internal domestic issues may encourage heightened Chinese nationalism and contrived tensions with China's neighbours which, in turn, may have the potential to draw in the US.

As depicted in Figure 2 (overleaf), more than 90 per cent of China's energy requirements traverse Indo-Pacific maritime choke points, including through the Gulf of Aden, the straits of Hormuz, Malacca and Sunda, and the South China Sea. From a Chinese perspective, increased US maritime forces in the region, combined with US defence-treaties with Japan, South Korea, Australia, The Philippines and Thailand, in addition to defence cooperation with Taiwan, Singapore, Indonesia and India, place its energy and trade security at risk of potential US intervention.[29] Consequently, some would argue that China has been left with little option but to look to ways to balance a US policy framework which could constrain its future growth and interests in the region.[30]

One strategy involves an expanded, westerly focus towards Eastern Europe, the Middle East and Africa. Already underway, the construction of overland pipelines and transport infrastructure seeks to diversify China's energy supply routes.[31] At the same time, increased investment in exploration and the development of energy reserves seeks to diversify and secure future availability.[32] This expanded focus has included enhanced security alliances with Russia, Iran, Syria and Turkey.[33] While these western-looking partnerships will contribute to providing balance to a US-dominated global order, it is generally agreed that throughout at least the next decade, China's energy security will continue to be dependent on Middle Eastern oil supplied via its Indo-Pacific sea-lines of trade.[34]

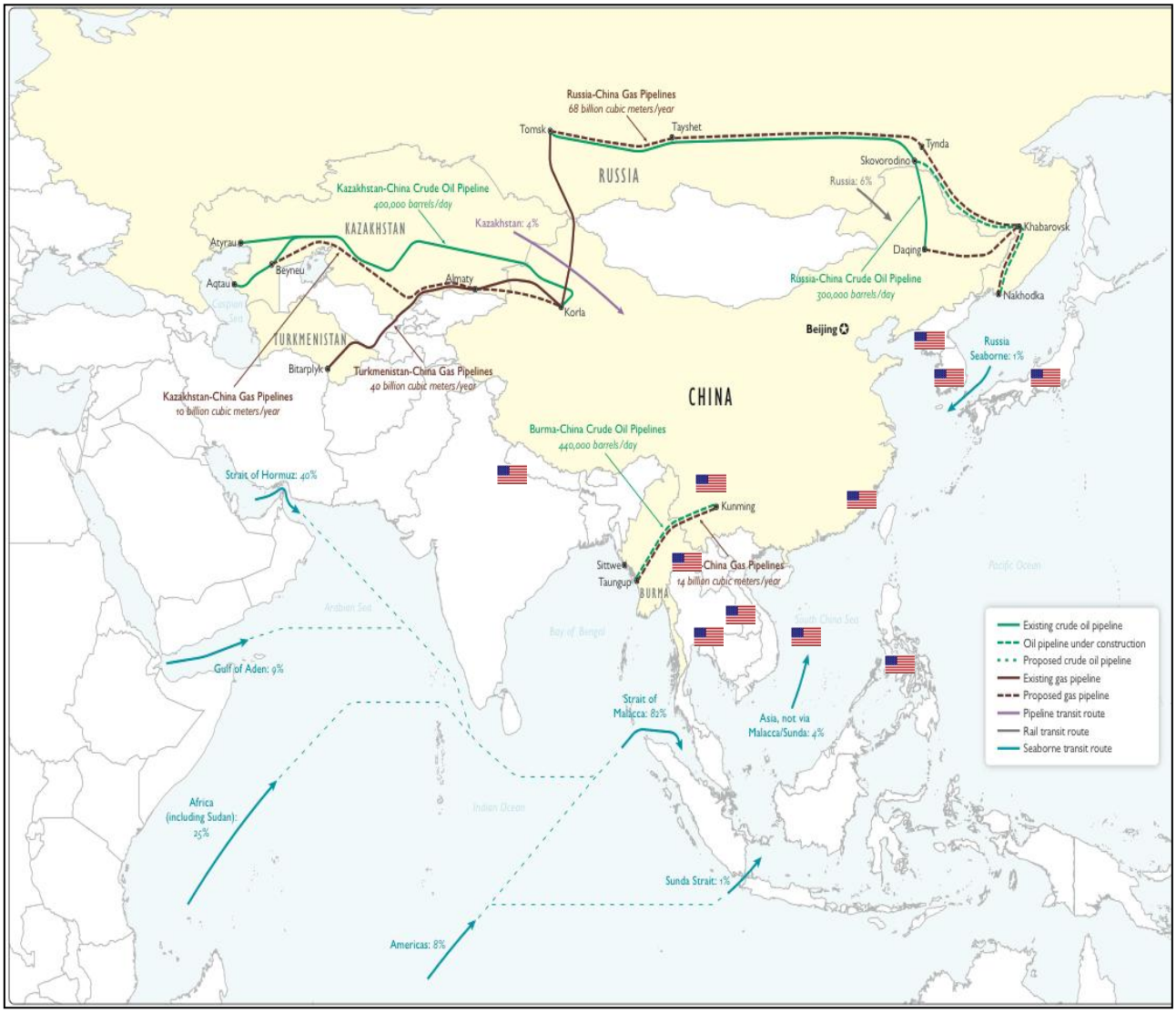

Figure 2. Chinese energy supply routes and focus of the US rebalance[35]

Given the ongoing importance of both China's Indo-Pacific sea-lines of trade and its foreign relations with the countries that bound them, Rory Medcalf has assessed that China has three broad response options, or some combination of them, namely, a *status quo* acquiescence to ongoing US regional leadership; agreement to a power-sharing arrangement, similar to that which emerged following the 1972 agreement between China and the US; or aggressive competition between China and the US, leading to an eventual Chinese-dominated regional order.[36]

Although maintenance of the *status quo* between China and the US is a positive, relatively low-risk outcome for Australia and the broader region, there is a significant section of the international academic community that assesses this to be unlikely in the longer term.[37] China's emergence as a global power, rising nationalism (and a determination to restore China's national prestige), competing claims in the South China Sea, and the importance of growing economic influence in the region are all seen as issues that will drive China to contest US primacy in the Indo-Pacific region. Further, it is predicted that strategic competition between the US and China will intensify as the comparative gap in national power between the two decreases, increasing the likelihood that China will seek to contest US leadership in the region.[38]

Both Chinese and US national policies attest a strong desire for a peaceful accommodation of China into the regional order. However, a key point of difference between US and Chinese policy lies in the purpose behind the accommodation. From a US perspective, it rests with sustaining US leadership, securing US interests, and advancing US values in the region.[39] From a Chinese perspective, it is about safeguarding China's national unity, territorial integrity and development interests, with China's 2013 Defence White Paper also asserting that 'China opposes any form of hegemonism or power politics, and does not interfere in the internal affairs of other countries'.[40]

Given these differing perspectives, points of friction are likely to arise when deciding how the respective interests can be accommodated, especially when China's perception is that the current mechanisms for dispute resolution favour the US as a result of its historic influence within the region.[41] That is not to suggest that China's response options will be characterised by dangerous and aggressive competition, leading to a new type of cold war or conflict. Indeed, a common theme in academic discourse in recent years has been the critical role of global economic interdependencies as a circuit breaker to regional conflict, noting especially that China is the world's largest trading nation, has the second largest economy and holds some US $1.3 trillion in US Treasury debt.[42]

Nevertheless, there are no guarantees against strategic miscalculation or the rapid escalation of a tactical engagement.[43] It also bears consideration that China's foreign reserve account, estimated at US$4 trillion, is the largest in the world and would provide some insulation to the Chinese economy against the detrimental effect of regional conflict.[44] Moreover, in 2011, the US Director of National Intelligence informed the US Senate that of all sovereign nations, China represented the most imminent 'mortal threat' to the US.[45]

Other assessments suggest the more likely Chinese response option would be based on some form of power-sharing agreement between the US and China, in which China's growth and aspirations would be accommodated in a re-aligned international order.[46] In May 2014, as a potential demonstration of future intent, China's President Xi Jinping gave a major address calling for a new approach to regional security issues in which 'the people of Asia would run the affairs of Asia'.[47] Following on, Beijing announced the formation of an Asian Infrastructure Bank to facilitate capital investment for regional development and that it would step up efforts to devise a code of conduct for handling maritime disputes.[48] It also proposed a new treaty of friendship between China and ASEAN nations and held the first high-level meetings with Japanese leaders in over two years.[49]

Most of these announcements and initiatives specifically exclude the US. However, it is unlikely that the US will willingly cede regional leadership to China, notwithstanding some suggestions that Australia may find itself in the invidious position of having to persuade the US to relinquish its regional leadership.[50] The US National Security Strategy of 2015 uses the words 'leadership' or 'leader' more than 90 times in its 29 pages, with President Obama asserting in the foreword that 'the question is never whether America should lead, but how we lead'.[51] Consequently, the answer to the question of whether China's ongoing rise will occur peacefully, and how this will affect Australia, will clearly depend on the extent to which the US intends to remain engaged in the security of the Asia-Pacific region.

The likely impact on Australia

As a middle power with limited resources, a large continent to defend, and national interests that extend beyond the immediate region, the ANZUS treaty between Australia, the US and New Zealand has been an essential element of Australian defence policy since 1951.[52] As well as providing formal assurance of US assistance in the event of an attack on Australia, the treaty has enabled Australian access to state-of-the-art military technology, privileged information and intelligence-sharing arrangements, and increased diplomatic influence both in regional and international forums.

Some have argued that the treaty has lost its relevance, noting that it was implemented largely to assuage Australian and New Zealand concerns about allowing Japan to re-emerge following World War 2.[53] Australia's perceived commitment to the treaty—evident in its past enthusiasm to support the US on issues such as Tiananmen Square and Taiwan—has also, at times, had a detrimental effect on Australia's bilateral relationship with China.[54] Yet the cost of an ADF that could defend Australia without relying on US support would represent a significant increase to current defence expenditure, a cost the Australian economy would struggle to achieve.[55]

It can also be argued that—regardless of the ANZUS treaty—Australia's importance to overall US strategy has increased in the context of the US pivot to Asia both because of Australia's geostrategic position within the Asia-Pacific region and its relationship with key regional states, as well as its role in providing training and support facilities for the US military.[56] However, while the US is also Australia's biggest foreign investor, China is Australia's largest trading partner, and bilateral trade continues to grow strongly, driven largely by China's demand for Australia's natural resources, which has helped underwrite the Australian economy for at least the last decade.[57]

The challenge for Australia is to balance its strategic relationship with the US against its economic relationship with China. Australia's 2013 Defence White Paper says the Government 'does not believe that Australia must choose between its longstanding alliance with the US and its expanding relationship with China'.[58] That position is relatively easy to maintain in a benign security environment. However, if strategic competition between China and the US intensifies over the coming decade, Australia will need to carefully balance the needs and expectations of its two most important partners, weighing strategic considerations against the economic benefits from Chinese growth and investment.[59]

Conclusion

The US 'pivot to Asia', as announced by Secretary of State Clinton in 2011, was in response to an imbalance in the global focus of US national power, the rise of a more powerful and assertive China, and recognition of the increasing economic importance of the Indo-Pacific region. The key objective was to devote more effort to influencing the development of Asia-Pacific norms and rules which, it was foreseen, would in turn secure US interests and leadership in the region. However, by the middle of 2012, much of the US focus—at least in the view from Beijing—had shifted from the foreign policy aspects of the pivot to a 'rebalancing' of military assets towards Asia.

From a Chinese perspective, the US military shift towards East Asia, as well as the strengthening of bilateral security arrangements, heightened China's concerns about 'containment' and longer-term threats to its sovereignty. It was also perceived as placing China's energy and trade security, both heavily reliant on Indo-Pacific sea-lines of trade, at increased risk of potential interdiction. In response, China increased its maritime activities in contested areas of the South China Sea, and has become more assertive in its dealings with Japan, particularly in relation to the disputed Senkaku/Diaoyu Islands.

This paper has examined China's longer-term response options, assessing that Chinese acquiescence to ongoing US regional leadership is unlikely. But it also seems unlikely that the US will give up its regional leadership. Although increased strategic competition between the two may be inevitable, the paper notes that the economic interdependencies between China and the US make conflict unlikely. It concludes that a more likely outcome is that China and the US will eventually arrive at some form of power-sharing arrangement, likely requiring greater recognition by the US of China's role and influence in the region. Whether that accommodation can be achieved peacefully, and how this will affect Australia, will likely rest just as heavily on the US as it does on China.

Notes

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