International Journal of Research in Social Sciences
Vol. 9 Issue 1, Jan 2019,
ISSN: 2249-2496 Impact Factor: 7.081
Journal Homepage: http://www.ijmra.us, Email: editorijmie@gmail.com
Double-Blind Peer Reviewed Refereed Open Access International Journal - Included in the International Serial Directories Indexed & Listed at: Ulrich's Periodicals Directory ©, U.S.A., Open J-Gate as well as in Cabell's Directories of Publishing Opportunities, U.S.A

'AUSTRALIA AND SOUTH CHINA SEA CONUNDRUM'

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Introduction

Australia has significant interests in the South China Sea, both economically, in terms of freedom of trade and navigation, and geopolitically, as the United States is invested in upholding the rules-based order in the region. Australia has been conducting its own airborne surveillance operations in the South China Sea and Indian Ocean, called Operation Gateway, since 1980. These patrols are conducted by P-3 Orion maritime aircraft and some of them have been verbally challenged by China[i]. While Australia has not conducted a surface Freedom of Navigation Operation (FONOP) operation similar to those of the US Navy, it regularly conducts naval presence patrols, exercises and port calls throughout the region. As Washington's closest ally in the region, Australia may come under growing pressure from the United States to make its presence felt in the South China Sea beyond statements of diplomatic support for freedom of navigation.

The intentions behind China's activities in the South China Sea are the source of considerable debate in Australia, in the region, and around the world. However, despite heated discussion, it is difficult to say with certainty what China is aiming to achieve, or what the implications and unintended consequences might be. The rapidly changing strategic landscape in the South China Sea threatens to marginalise Australia unless it takes positive action to remain a relevant and influential player in the region's strategic calculus. Positive action includes taking a much more visible and unqualified stance against Chinese territorial aggrandisement and invitations to regional powers to create a coordinated maritime domain security and surveillance regime.

The South China Sea is one of the world's most important international waterways, carrying more than half the globe's merchant fleet tonnage. Its sea lines of communication carry most of the energy supplies for Japan, South Korea, and Taiwan, as well as a large

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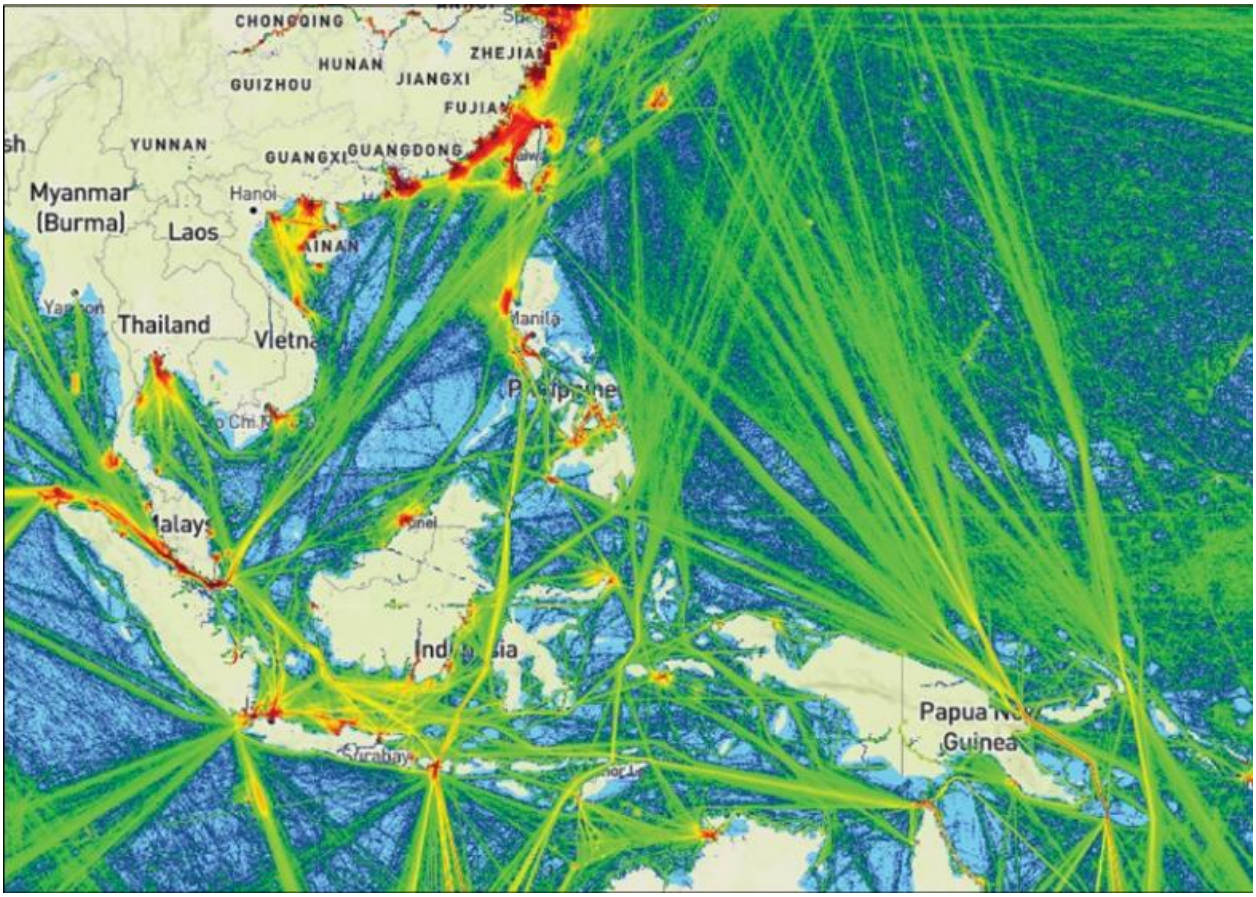
proportion of China's trade. The South China Sea also serves as an important transit route and operational theatre for the militaries of the United States and many of its allies and regional friends[ii]. Notably, it is the shortest and easiest route for military units, as well as commercial cargos moving between the Pacific and Indian Ocean regions. It is a strategic thoroughfare of global importance.

Image 1: South China Sea Maritime Traffic



See: http://www.marinetraffic.com/

The geology below the South China Sea floor is also reported to hold valuable reserves of oil and gas. Although estimates of the scale of these resources vary, they are thought to comprise at least 7 billion barrels of oil and 900 million cubic feet of natural gas[iii].

The South China Sea fishery is also of considerable importance. Although China's recent military and paramilitary activities and the intensity of commercial fishing have done serious damage to the local ecosystem, these waters remain an important source of protein

for all of the littoral states. In the meantime, China's developing presence in the South China Sea reinforces Beijing's coercive power in the region[iv]. Innocent passage, especially by commercial vessels, is being respected, at least in the short term. However, Beijing is making clear that the terms and conditions of foreign activity, even by other littoral states, will be determined and enforced by China. Relevant Chinese authorities have signalled that Beijing is considering the declaration of an Air Defence Identification Zone (ADIZ) over the entire South China Sea. Military facilities now nearing completion will permit Chinese forces to enforce any such declaration with fighter intercepts of non-complying aircraft[v].

Although most international observers had few doubts that many of China's actions in the South China Sea were serious breaches of international law[vi], the ruling of the Permanent Court of Arbitration for UNCLOS made the extent of Beijing's transgressions clear in July 2016.

Australia-China Calculus

So far, the Australian leadership has been hesitant to address directly how to tackle and reverse Beijing's actions in the South China Sea. There has been no agreed assessment of the challenge posed by Beijing, no process for analysing alternative allied counter-strategies, and no clear program of measures selected for implementation. For Canberra, the South China Sea is far more important because of its intrinsic strategic value and because of its critical importance to their close partners in maritime ASEAN. For the littoral states of the South China Sea, the strategic balance and effective sovereignty of the region is critical for their future security and economic well-being. These differences in priority between the Australia and their friends are placing strains on long-standing security relationships. The development of an effective response to China's creeping incrementalism in the South China Sea has been an intrinsically difficult challenge. Beijing has employed a very sophisticated strategy and operational concept that could be implemented without challenging U.S. alliance commitments to Australia or directly confronting U.S. or allied forces[vii].

The concerns of many Australian business people and policy makers have led them to avoid taking any measure that may disturb their business and broader economic

relationships with China. These concerns have been most apparent in the Australia and other corporations that have invested heavily in developing close ties with Chinese enterprises. Chinese agencies have been active in fostering these worries, propagating false dilemmas, and exaggerating the potential consequences for regional economies of any actions taken to confront China's assertiveness.

China's economic leverage with the close Western allies is probably most pronounced in the case of Australia. However, the shape and trajectory of Australia's economic relationship with China is more complex than many analyses have portrayed. China is Australia's largest trading partner by a significant margin[viii], but, when it comes to sunk foreign investment, China is only number seven with a smaller stake in the country than either Singapore or the Netherlands. Moreover, the "quality" of Chinese investment in Australia is relatively low, directed mostly to resource extraction, infrastructure, and rural and urban property[ix].

Moreover, China's economic partnership with Australia may have peaked. The slowing of China's economy and the marked changes underway in China's economic structure are already reducing the market opportunities for many of Australia's traditional exports. Although the growth of China's middle class is generating new export opportunities in some sectors, most of these new product areas are the subject of intense international competition, and some are constrained by new layers of Chinese regulation[x]. The overall downward trend in Australia–China trade is clear from the latest statistics and will probably be maintained[xi]. A key conclusion is that China will continue to be an important market for Australia, but its relative importance may decline during the coming decade.

For Australia, export opportunities are now growing more rapidly in other countries. The economic structures and development trajectories of these countries mean that they will probably be more important consumers of Australia's traditional exports in coming decades. Indeed, there is a possibility that India may be a more important market for Australia than China within twenty-five years.

Most Australians also understate the strategic value of Australia's exports to China. Australia is about to become the world's largest exporter of liquefied natural gas (LNG)

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and a key sup- plier of energy for electricity generation, especially for China's coastal provinces. Australia and Indonesia are the world's top two exporters of coal, which, again, is a critical import for China. Indonesian coal is primarily used for power generation and Australian for steel production. Australia is expected to control well over half of the world's production of lithium within five years, a resource that is critical for new-generation batteries and broader power storage applications. In addition, Australia has the world's largest proven uranium resources and is a trusted supplier of high-quality food and pharmaceutical products. Given the driving imperatives of the Chinese leadership, Beijing is likely to be cautious about seriously undermining its economic relationship with Australia, or its relationships with the other close Western allies, for that matter.

The bottom line is that pro-Chinese commentators in Australia and other countries continue to assert that cooperative relations with Beijing will be essential for their economic well-being[xii]. The more nuanced reality is that, while Chinese attempts to coerce Australia through the manipulation of trade and investment regimes would have limited economic leverage, they have far greater psychological power in the absence of effective domestic countermeasures.

A factor accounting for the Western allies' timidity over Chinese behaviour in the South China Sea is the success of Beijing's information operations in Western countries. These operations have been assisted by the Chinese acquisition of media enterprises in Western countries as well as the courting of key decision-makers, journalists, and academics, accomplished through fully paid visits to China; the contribution of very substantial funds to political parties; the establishment of pro-Beijing associations of many types, including Confucius Institutes in universities; the regular insertion of Chinese produced supplements in metropolitan newspapers; and the organization of periodic "patriotic" demonstrations, concerts, and other events by Chinese embassies, consulates, and other pro-Beijing entities. Cyber and intelligence operations have been used to reinforce key messages; recruit Chinese intelligence agents and "agents of influence;" and, periodically, to intimidate, coerce, and deter allied counter-actions.

These very active Chinese information, intelligence, and cyber operations have been reported extensively in the Australian media in recent months. For instance, Greg

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Sheridan, the Foreign Editor of The Australian wrote: "Early last year the Abbott government established a multi-agency effort to assess by exactly how much, and how effectively, the Chinese government in Beijing was gaining influence over Australian national policy. . . . The more they looked, the more they found. The government project disclosed the most sophisticated and sustained efforts in our history by the Chinese government and its agencies to penetrate and direct Australian elites in a way that favours Chinese state policy. From time to time, federal cabinet has been briefed on Chinese government moves to militarize the South China Sea and the like. It has also been briefed on Chinese government-sponsored net-works of influence and patronage within Australia. Chinese agents of influence have been identified. . . . This is all made much more powerful, has a vast force multiplier effect, because it folds neatly into all the vast espionage, cyber intrusion, diplomatic, military, and other levers of power Beijing uses.…The ABC's Chris Uhlmann . . . disclosed the extent of funding from sources closely linked with the Chinese government of all major political parties in Australia. Between 2013 and 2015 this was more than $5.5 million."[xiii]

Peter Jennings, a leading strategic commentator, focused on other Chinese operations: "In February, President Xi Jinping visited the offices of China Central Television in Beijing, calling on it to "objectively, truly, and comprehensively introduce China's social and economic development to the world audience." A Party directive of this nature explains why, since late May, readers of Fairfax Media newspapers in Australia have been receiving lift-outs made up of editorial copy from the Communist Party newspaper, The People's Daily. Similar material is available in The Washington Post, Britain's Daily Telegraph, and France's Le Figaro. China also invests millions of dollars into hundreds of Confucius Institutes at universities around the world. There are ten such institutes in Australia with a remit to "forge strategic alliances with business, industry, government, and other institutions with an interest in closer and more productive ties with China."

In June 2014, Liu Yunshan, the head of the publicity department of the Communist Party Central Committee, described Confucius Institutes as a "spiritual high-speed rail link" between Chinese dreams and the rest of the world. More recently, Beijing has intensified attempts to align and influence its diaspora communities. In Australia there is clearly

Chinese pressure on community groups to lobby government to take a more quiescent policy line on Beijing's aggressive militarization of the South China Sea.[xiv]

Another contributing factor to the timid response is largely cultural. The experience of the last decade suggests that Western electorates are more fearful of triggering confrontation and the escalation of an argument than their Chinese counterparts. This thinking is reflected in a concentrated form in some Western bureaucracies by their deep risk aversion. If the Western interest is the avoidance of confrontation and the preservation of peace at any price, that price is likely to be extremely high. When confronted by an expansionist, non-democratic peer competitor, the repeated avoidance of confrontation results in the loss of important strategic positions and the evaporation of much international credibility.

Australia and the Allies:

When Western leaders have focused on these issues in recent years, they have almost always emphasized three primary interests:

- First, the maintenance of free sea and air transit through the South China Sea;
- Second, an acknowledgement that the United States, Australia, and Japan have no territorial claims in the region and do not take a position on the territorial claims of other countries; and
- Third, the allies' strong interest in the claimants exercising restraint and peacefully resolving territorial disputes in the region in accordance with international law.

Australia's foundation statement on the South China Sea expressed very similar sentiments when it was released in May 2014. "Australia does not take a position on competing claims in the South China Sea, but has a legitimate interest in the maintenance of peace and stability, respect for international law, unimpeded trade, and freedom of navigation. Australia urges parties to exercise restraint, refrain from provocative actions that could escalate the situation, and take steps to ease tensions. We call on governments to clarify and pursue territorial claims and accompanying mari- time rights in accordance with international law, including the Convention on the Law of the Sea (UNCLOS)."[xv]

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When the Australian Defence White Paper was released in February 2016, the strategic importance of maintaining the "rules-based global order" was mentioned no less than forty-eight times.[xvi] Then on the day after the release of the Permanent Court of Arbitration's decision, the Australian Prime Minister, Malcolm Turnbull, and the Foreign Minister, Julie Bishop, held a joint press conference in which Malcolm Turnbull said the following: "Now as Julie has said, and we have both said on many occasions, we have no position on the competing claims for sovereignty. We have no claims of our own. But we insist that it is absolutely vital that all countries abide by international law, settle disputes peacefully and in the context of this particular dispute, that has been the subject of the decision last night that both countries abide by the decision of the tribunal. It is an important test case for how the region can manage disputes peacefully. It is an opportunity for all parties in the region to come together and for claimants to re-engage in dialogue with each other based on greater clarity around maritime rights. So both of us have been urging claimants to refrain from coercive behaviour and any unilateral actions designed to change the status quo in the disputed areas. As I have said many times, every nation in our region has benefitted enormously from the many, many decades of relative peace and tranquillity in this region. It is vital that that is maintained. There is so much at risk in the event of conflict, in the event of heightened tensions, so this is an important decision, it is one that has been made in accordance with international law and it should be respected by both parties and indeed by all parties and all claimants."[xvii]

The security, stability, and prosperity of the Western allies, their partners and friends are heavily dependent on maintenance of the rules-based global order. This order provides a clear framework that is fair, almost universally acknowledged, and highly predictable. It provides an environment within which individuals, corporations, and nations can plan, invest, and operate with confidence and minimal friction. It is an essential lubricant of the global economy and a pre-condition for sound international relations and global peace.

The Western allies have a particularly strong interest in seeing the United Nations Convention on the Law of the Sea maintained. This convention has been ratified by 169 countries and provides a clear and fair set of principles and processes for determining the maritime rights and responsibilities of member states. It also provides sound mechanisms

for adjudicating maritime disputes. These provisions have been used to resolve many long-standing conflicts. Through these and associated means, UNCLOS is contributing significantly to international peace and security. For a major power signatory to the Convention to persist in operating with little regard to the Convention's rules and refuse to implement the lawful adjudication of maritime disputes is completely unacceptable.

The failure of the Western allies to act strongly to defend the rule of law in the South China Sea is effectively ceding key norms of international behaviour to the strong and powerful, rather than to the lawful. When a powerful authoritarian state is permitted to seize effective sovereignty over a substantial mariptime region without being thwarted by strong counter- action, the constraints on further, potentially more serious aggressive actions are greatly reduced. There is a serious risk that the Western allies will be seen in Beijing as paper tigers. Indeed, Australia has already been described in the Chinese press as a "paper cat."[xviii]

Other Southeast Asian countries are also moving to acknowledge Beijing's rising power, taking account of their strong economic ties with China and distancing themselves from what some consider to be American meddling in their internal affairs. This is the case with the authoritarian regimes in Cambodia and Laos as well as with the American treaty ally Thailand. The pro-Western government in Malaysia has also recently moved to purchase some military equipment from China for the first time[xix].

This fraying of pro-Western alliances and relationships highlights a risk that large parts of Southeast Asia may shift into China's strategic orbit. This would represent a fundamental change in the geo-strategic alignment in the Western Pacific and a serious deterioration in the strategic interests of Washington and other allied capitals.[xx]

What Specific Types of Action Deserve Consideration?

There are eight primary categories of action that could play important roles in an allied strategy to counter China in the South China Sea.

1. **Diplomatic measures:** These are actions to assure, persuade or pressure opponents, neutrals, and partners to act in accordance with one's interests. Diplomatic

measures may include the private or public communication of warnings, suggestions, proposals, and other messages. They include steps to broaden coalitions and the initiation of actions within international forums such as the G20 and the United Nations. They may be undertaken not only by members of foreign ministries, but also by government leaders, military personnel, and, indeed, by many members of allied societies.

2. **Geostrategic measures**: These are actions designed to change the geographic focus of a competition so as to gain relative advantage. Candidate geo-strategic measures to counter China could include steps to expand and strengthen the members of the alliance or, alternatively, to undermine an opponent's international supporters. They could also include steps to build strategic pressure on China in theatres far removed from the South China Sea in which Beijing is strategically vulnerable.
3. **Military measures:** These include discussions, information sharing, and equipment supply between relevant countries, as well as signalling intent via military movements and exercises, military staging, basing, and other activities. Many potent military measures involve the introduction of new military capabilities, especially those that compel a competitor to respond and are difficult to counter. At the highest end of military measures are numerous types of combat operations that can be tailored to send a message, assure, warn, deter, defend, and inflict various types and levels of damage.
4. **Economic measures**: These employ financial, fiscal, or budgetary actions to protect economic interests or damage a competitor's economic interests. Economic actions include changes to rules governing international commerce, the processes of transferring technology or other intellectual property, the regulations governing the operations of foreign economic entities such as banks, and various kinds of economic and financial sanctions.
5. **Immigration measures**: These involve modifications to the laws, regulations, or rules by which foreign citizens enter a country, the permissible purposes for entry, the means and modes of legal entry, and the periods that foreign citizens are permitted to stay. Potential measures in this category could include limits on the numbers of particular categories of international visitors, reductions in permissible periods of stay, and constrained access to particular fields of study, etc.

6. **Information measures**: These are programs to communicate one's own interests and behaviours in a positive light while painting a competitor's actions and behaviours in a poor light. Target audiences may include one's own society, neutral communities, and categories of people within an opposing country. These programs can include sponsored academic research, all kinds of broadcast media, and carefully tailored programs to reach strategically important community groups.
7. **Counter-leadership measures:** These are programs specifically designed to cause problems for the competitor's leaders and their immediate supporters. They are frequently designed to foster dissent, undermine a leader's legitimacy, or impose other pressures on the competitor's key leaders.
8. **Legal measures**: These are steps that can be taken to hold competitors accountable for breaches of international law by seeking the adjudication of United Nations tribunals or other relevant authorities. Various steps can be taken to draw the attention of the international com- munity to legal transgressions and to pressure guilty parties to comply.

An effective campaign plan should combine a carefully chosen set of measures from the above categories into a "combined arms" operation. The intent should be to produce clearly defined effects in a phased manner over appropriate timescales. Some campaign elements will deliver desired effects immediately, but others may take time to develop into serious irritants that corrode the opposition's strategic position[xxi].

Australia may be able to play a strong role in working with the maritime states of Southeast Asia to strengthen their security resilience. Canberra may also be well-placed to initiate some security enhancements in the Indian Ocean.

A successful allied counter-strategy would need to progress beyond the so-called "pivot" and "rebalancing" to a more thoroughgoing military engagement with the region that might be called the Regional Security Partnership Program[xxii]. The primary goals of such a program would be to demonstrate continuing allied military superiority in the theatre, deter further Chinese adventurism, and reinforce the confidence of regional allies and partners in the reliability of their Western partners so that they feel able to staunchly resist any attempted Chinese coercion.

There could be many elements of a successful Regional Security Partnership Program.

Amongst the most important should be the following:

• The creation of new mechanisms for close security consultation between the leaderships of the close allies (essentially the United States, Japan, and Australia) and their partners and friends in the Western Pacific. While there might be scope for periodic meetings of government leaders and defence ministers, the most effective mechanisms in this region may be bilateral and small-group forums that provide plenty of scope for regional leaders to float their own initiatives and guide their own local security development. The most effective approach is likely to be a security network that builds on existing frameworks (such as the Five Power Defence Arrangements linking Singapore, Malaysia, Australia, the United Kingdom, and New Zealand), rather than attempting to establish an Asian version of NATO. There is, in consequence, a need for the United States and its close allies to permanently station and operate much stronger military forces in the Western Pacific.[xxiii] The most likely places for hosting the increased American presence would be U.S. Western Pacific territories, Australia, and Japan. However, there may be opportunities for American forces to also increase their footprints in Singapore, South Korea, and elsewhere. Australia could look to increase its long-running military operations in Malaysia and Singapore and possibly expand its cooperative defence activities with Indonesia, India, the Philippines, and elsewhere. Japan could also give some priority to assisting the Philippines, Vietnam, and potentially others.

Deploying additional military units to the Western Pacific would not only require welcoming local communities, suitable facilities, and advanced industrial support capabilities, but also large, sophisticated, and relatively unconstrained exercise and range areas. They would be essential both to maintain force readiness and tailor operational practices and tactics to suit local conditions. In this context, Australia could take the initiative to establish the Western Pacific Exercise and Range Complex. This would network and further develop Australia's already extensive exercise and range facilities, offering them for scheduled use by the close allies, and periodically other security partners, to strengthen national and multinational operational capabilities and foster interoperability.

• The United States, Japan, Australia, and South Korea could also offer regional partners opportunities to strengthen their indigenous defence industries by working more closely in numerous modes. There may be scope for joint design, development, and

production programs; enhanced logistic cooperation; assistance with facilities development; etc. Closer cooperation in developing intelligence, surveillance, and cyber defences would also be desirable.

The rapidly changing strategic landscape in the South China Sea threatens to marginalise Australia unless the government takes positive action now to remain a relevant and influential player in the region's strategic calculus. Positive action includes taking a much more visible and unqualified stance against Chinese territorial aggrandisement and invitations to regional powers to create a coordinated maritime domain security and surveillance regime. Perhaps most importantly, Australia must direct the ADF to undertake concrete measures (including independent FONOPs) to demonstrate that despite political differences with the current and at least one potential future US administration, Australia can be relied upon to uphold the globally accepted set of norms embodied in the phrase 'rules based international order.'[xxiv]

The passage by USS William P. Lawrence on May 10, 2016, within 12 nautical miles of Fiery Cross Reef reinforced statements by the US government that it won't be deterred from sailing where international law allows. China's military overreaction similarly reinforced its determination to oppose any attempt to thwart its goal of exclusive regional domination. Quartz's Steve Mollman is just the latest commentator to predict that China's actions are part of a concerted plan to initiate a war with the US at a time and place of its choosing.[xxv]

As part of this plan, China has embarked upon a systematic campaign to intimidate other SCS nations into submission through a series of orchestrated confrontations with its maritime militias (disguised as fishing vessels)[xxvi], backed up by a 'coast guard' whose vessels are far superior in range and weaponry to anything comparable among its near neighbours. By doing so, China seeks to neuter in advance any possible support for US provocations against China's continued pursuit of military domination of the South China Sea.[xxvii]

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President Xi's strategy aims to de-legitimise US claims that it's acting on behalf of the international system. China refuses to acknowledge the utility and efficiency of multilateral negotiations and arbitration. Instead, it demands that each of its neighbours undertake bilateral negotiations.[xxviii] In such a scenario, China's overwhelming economic penetration of nations like Vietnam, Cambodia, Indonesia, and Malaysia acts as a surrogate for military threats (which are, in any event, thinly veiled).

Australia must counter that potentiality now. The threads are there; the only thing missing is the skilled weaver to craft a seamless cloak to bolster the security of the 'nearer region' and the Indo–Pacific in general. First, Australia must step up and offer to lead—or at least be a principal player—in the newly announced Indonesia–Malaysia–Philippines maritime security patrol program[xxix]. Although targeted solely at transnational crime (for now, anyway), with time and experience this could become the nucleus of a regional collective maritime security framework that could credibly deter or confront China's maritime militia and coast guard.

Second, Australia should market its next generation of Offshore Patrol Vessels (OPVs) to Indonesia, Malaysia, Vietnam, and the Philippines. If each of those nations commit to purchasing six to ten OPVs, that would more than double the number of ships to be built in Australian shipyards. Since defence jobs remain a critical component of the upcoming federal election, an early statement in support of such efforts would allay workforce and economists' fears of a jobless defence expansion.[xxx] That will require more finesse that the government has recently shown, but will be critical as doing so holds the potential for direct competition with Japan. The Abe government has actively sought to bolster the surface maritime security capabilities of both Vietnam and the Philippines. If Australia could broker US financial assistance to one or more potential purchasers, that would also contribute to enhancing Australia's reputation for proactive support of US policies vis-à-vis the South China Sea.

Alternatively, Australia could arrange for the transfer of the *Armidale class* OPVs to one or more regional partners once RAN's new OPVs enter service. Either eventuality helps build interoperability with important neighbours and enhances their own ability to fend off challenges by 'little green fishermen' from China—as well as reduce the threat of transnational crime.[xxxi]

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Finally, Australia must demonstrate a more robust commitment to the enforcement of globally accepted norms for interstate behaviour than has been the case up until now. The measures outlined in the opening paragraph above would be a good start. Restricting action to tepidly urging China to resolve its differences peaceably may reassure those who are more focused on economic than national security concerns, but does nothing to reassure neighbours and allies that Australia will match rhetoric with action should circumstances dictate.[xxxii]

The time may soon arrive when Australia will no longer have the luxury of choosing how to respond. Better that the domestic and international groundwork is well laid now than to have to do so in the midst of an international crisis, when reasoned arguments often fall victim to fear and anger.

Conclusion

The South China Sea disputes have entered a dangerous new phase in the last several years. Alongside China's unprecedented construction and fortification of artificial features, incidents at sea involving clashes between various combinations of fishermen, coast guards and, occasionally, naval assets, are occurring on a routine basis. With the nationalist credentials of authoritarian and democratically-elected claimant governments at stake, the potential for miscalculation and escalation (whether inadvertent or intended) is growing.

Australia's aspirations for a viable 'rules-based' strategic order in the Indo-Pacific are under significant pressure as regional powers contest the very nature and scope of these rules via the disputes. Key Australian interests and relationships are being tested. As Australia's largest trade partner since 2007, China's rise and pursuit of its 'legitimate interests' have been supported by successive Australian governments. A key question emerging from China's recent actions in the South China Sea is where do these 'legitimate interests' begin and end—do they include the establishment of 'spheres of influence', the revision of existing regional and global norms, and the right to resort to unilateral action to achieve these ends? From Beijing's perspective, these are all strategic behaviours that have been exhibited by previous great power aspirants, including the US.[xxxiii]

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Whether coming to terms with China's rise should involve an element of genuine strategic 'accommodation', as opposed to simply 'engagement', is a question that Australian policymakers often appear reluctant to publicly canvass. In response to recent Chinese actions in the South China Sea, Australia's current strategy might be best described as one of 'dissuasion'—working with others to convince China of the costs of unilateral actions, while simultaneously using engagement to reinforce the benefits of the existing, US-led regional order. Even though the pay-offs thus far might appear slight, the alternatives are perhaps even less appealing.[xxxiv] Whether this calculus would hold in the face of even more forceful Chinese actions—such as Beijing proclaiming an Air Defence Identification Zone in the South China Sea—or provocative moves by other claimants, remains to be seen.

The longstanding alliance with the US is routinely invoked as the foundation of Australia's security. The South China Sea disputes have forced a sharper consideration of the benefits and risks of the alliance and the conditions under which these could manifest. This has been most prominent in debates surrounding whether Australia should replicate several recent 'Freedom of Navigation Operations' (FONOPs) undertaken by the US Navy through the contested waters; in particular, whether Canberra should authorise naval FONOPs within the 12-nautical-mile limit of China's newly constructed artificial islands. China has recently intensified warnings of 'serious measures' should Australia seek to challenge Beijing's claims though naval operations[xxxv].

The FONOPs debate reflects a dilemma common to all alliances—the alternating anxiety between the fear of 'abandonment' by an ally in the event of a conflict, versus the fear of 'entrapment' in an ally's conflict that is contrary to one's own interests. Whilst some argue that Australia's interests demand FONOPs of the kind conducted by the US, others counter that such actions could draw the ire of China, with whom Australia also seeks to maintain a good relationship[xxxvi]. These anxieties persist. The result has been a form of 'strategic ambiguity' in which Australia has communicated its intention 'continue to traverse the water and the skies around the South China Sea in accordance with international laws' without saying whether it would breach the limit of any claimed Chinese boundaries. Again, whether this position could withstand a significant escalation of the conflict remains to be seen[xxxvii].

International Journal of Research in Social Sciences
Vol. 9 Issue 1, Jan 2019,
ISSN: 2249-2496 Impact Factor: 7.081
Journal Homepage: http://www.ijmra.us, Email: editorijmie@gmail.com
Double-Blind Peer Reviewed Refereed Open Access International Journal - Included in the International Serial Directories Indexed & Listed at: Ulrich's Periodicals Directory ©, U.S.A., Open J-Gate as well as in Cabell's Directories of Publishing Opportunities, U.S.A

Efforts by the Association of Southeast Asian Nations (ASEAN) to engage both China and the US in multilateral institution-building through venues such as the East Asia Summit are a key focus of Australia's diplomatic and strategic planning. However, the failure to produce a long-awaited 'code of conduct' for managing the disputes bodes poorly for multilateralism. Indeed, some contend that China has deliberately delayed the code in order to 'buy-off' non-claimants such as Cambodia and Laos through increased aid and investment while ramping up construction in disputed areas.

There is now a view that ASEAN is irrevocably split on the South China Sea disputes following several recent failures to agree on consensus language. In the face of these divisions, some ASEAN claimants have resorted to appeals to international arbitration (which China says it will not abide by), as well as more traditional power balancing strategies—upgrading alliances and military cooperation, and intensified acquisition of advanced maritime weaponry. Facing difficult choices in its relations with China and the US and the prospect of a divided ASEAN, Australia is likely to pursue complementary initiatives to advance its maritime security interests[xxxviii]. These could include intensified 'mini-lateral' cooperation with other non-claimant states such as India, Japan, Singapore and Indonesia, all of whom share misgivings about China's ambitions and actions. Indonesia will likely be a focus given Jakarta's increased concerns with recent Chinese incursions into its maritime domain[xxxix]. Australia may also face continued calls to reconsider its approach to its maritime border issues with East Timor. In the meantime, the risk of conflict continues to rise.[xl]

The first question is, for how long can Australia maintain its current, calibrated approach in the South China Sea? The answer to that depends to a large extent on the course of US–China relations in the year to come. Even if a decision in Canberra is to accept greater costs and risks in resisting China's advances in the South China Sea, a second question is: has Beijing's consolidation of control now reached an irreversible point?

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