



# The Centre of Gravity series

## About the series

The *Centre of Gravity* series is the flagship publication of the Strategic and Defence Studies Centre (SDSC) based at The Australian National University's College of Asia and the Pacific. The series aspires to provide high quality analysis and to generate debate on strategic policy issues of direct relevance to Australia. *Centre of Gravity* papers are 2,000-4,000 words in length and are written for a policy audience. Consistent with this, each *Centre of Gravity* paper includes at least one policy recommendation. Papers are commissioned by SDSC and appearance in the series is by invitation only. SDSC commissions up to 10 papers in any given year.

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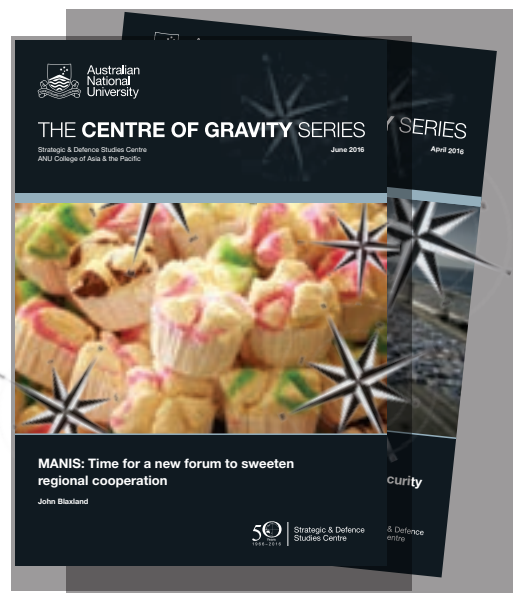
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# Australia debates the South China Sea: Is there a Third Way?

Brendan Taylor and William T. Tow (The Australian National University)

## Executive Summary

- ✦ There are clear 'America-first' and 'Australia-first' camps within the Australian debate over the South China Sea.
- ✦ A third-way, 'Asia-First' approach with other middle powers – Indonesia and Republic of Korea – could be an advantageous, fresh approach.
- ✦ This approach would focus on pressuring China and other claimants plus key states to address and resolve, not just manage, regional tension.

## Policy Recommendation

- ✦ Australia's policymakers should explore an 'Asia-first' approach, cooperating with Indonesia and the ROK to help manage and to encourage resolution of the South China Sea conflict.

A central debate in Australian foreign and defence policy concerns the question of how Canberra should position itself between its longstanding strategic ally (the United States) and its leading trading partner (China). At the core of this debate has been the issue of how much foreign and strategic policy autonomy Australia can and should exercise. For some participants in this debate, Australia remains a 'Dependent Ally', to borrow Coral Bell's famous phrase<sup>1</sup>, that has a strong interest in preserving the US-led security order in Asia that has served it so well throughout the postwar period. From this perspective, Canberra should continue to cleave tightly to the US alliance and do all within its power to support its 'great and powerful friend' as it strives to stave off China's challenge to American power in Asia. For others, however, the US-led Asian security order is unsustainable and is already showing signs of severe strain under the weight of shifting economic and military power relativities occasioned primarily, although not exclusively, by China's rise and America's relative decline. From this perspective, a clear-eyed assessment of Australia's interests in a changing Asia could, and perhaps should in the view of some commentators, result in some degree of distancing between Canberra and Washington.

The latest manifestation of this debate centres around the question of how Canberra should respond to Beijing's growing assertiveness in the South China Sea. Those from what might be termed the 'America-first' school of thinking argue that this particular case represents a litmus test for how Asia's strategic future is likely to evolve. Given Australia's interests in preserving the US-led order, they contend that Canberra should actively support American efforts to push back against Beijing's assertiveness by, for instance, sending military ships and aircraft within 12nm of China's reclaimed and man-made islands in the South China Sea. In so doing, Canberra would be demonstrating its commitment to military overflight and freedom of navigation. As the US has been doing with greater frequency since October 2015 when the *USS Lassen* transited within 12nm of five features in the disputed Spratly Islands. As Ben Schreer and Tim Huxley,

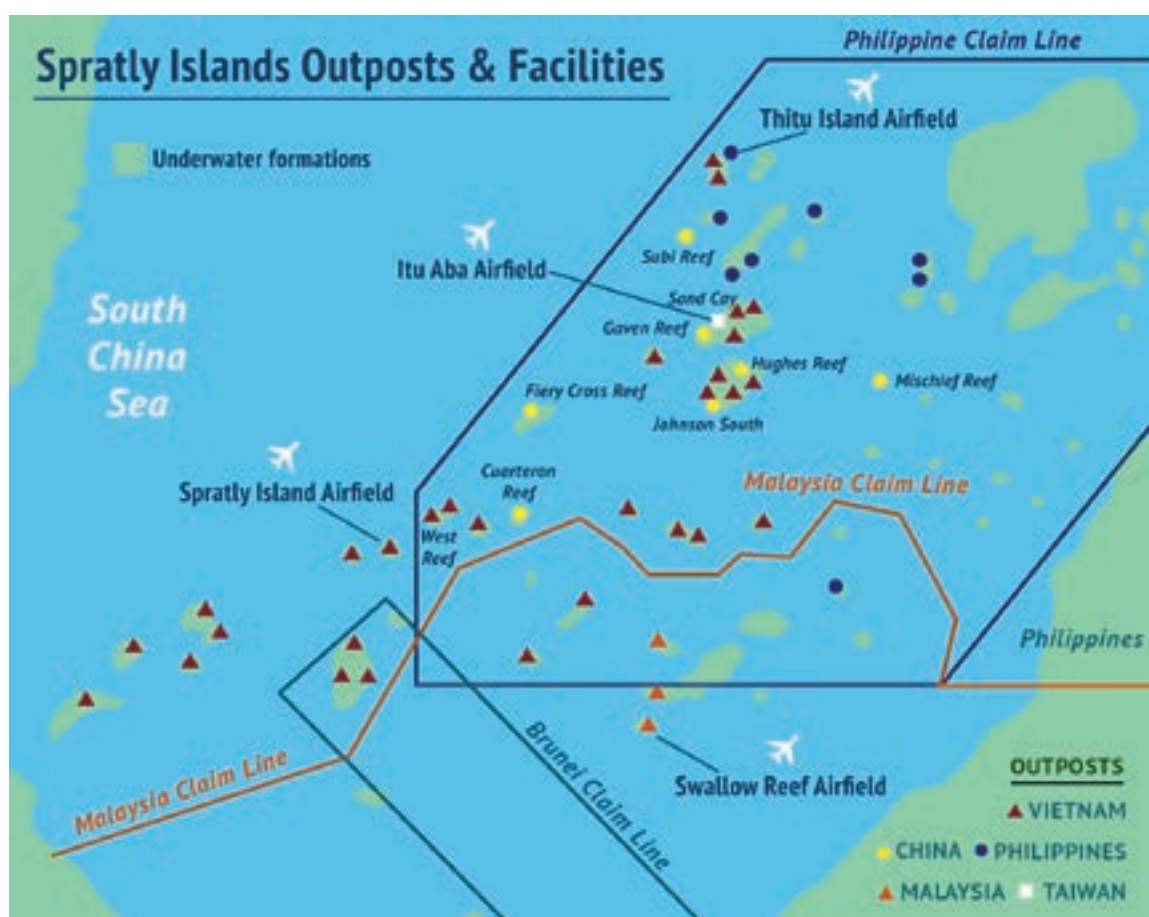
**This debate centres around how Canberra should be responding to Beijing's growing assertiveness in the South China Sea.**

two prominent voices from the 'America-first' camp have argued, 'words alone are not sufficient to stop China's maritime assertiveness. Expecting the US will somehow stand up to China on its own is a tall order. The cherished assumption that Australia can sail easily between China and the US is a flawed one.'<sup>2</sup>

A relatively wide range of arguments might be seen as falling within the opposing 'Australia-first' school of thinking. In an interesting variation upon the Schreer/Huxley thesis, for instance, the respected retired Admiral James Goldrick has called for Australian units to conduct so-called 'freedom of navigation operations' in the South China Sea alone. Not with a view to 'supporting the alliance with the US, but of demonstrating our commitment to the rules-based global order.'<sup>3</sup> Motivated, like Goldrick, by a clear eyed assessment of Australian national interests, former Foreign Minister Bob Carr argues in contrast that Canberra should adopt a completely neutral posture in the South China Sea and that it should not 'join the US, deputy sherriff's badge glittering in tropical sunlight.'<sup>4</sup> In yet another variation on the 'Australia-first' theme, the influential commentator Michael Wesley contends that Canberra should be 'cooly interests-driven', whilst at the same time adopting a far more activist posture that ultimately promotes a sustainable solution to the South China Sea disputes – as it did in Cambodia during the early 1990s - given the vital Australian interests this conundrum engages.<sup>5</sup>

## Actions ultimately speak louder than words.

While the Australian debate on the South China Sea has thus far coalesced around the 'America-first' and 'Australia-first' schools of thinking, both exhibit considerable limitations. In the main, each pays insufficient attention to the perspectives and postures of the countries of the Asian region who are positioned at the heart of the South China Sea disputes. While an increasing number of Asian capitals are willing to verbally embrace a strong American presence in the face of growing Chinese assertiveness, actions ultimately speak louder than words and few if any of these governments have been willing to back up supportive rhetoric with concrete action. By pursuing the prescriptions of the 'America-first'



school, therefore, Australia risks alienating itself from mainstream elite opinion in Asia. Something Canberra has regrettably done all too frequently, as the Asia-Pacific Community experience of the late 2000s dramatically illustrates. By the same token, advocates of the 'Australia-first' school arguably overestimate Australia's economic and strategic weight and the capacity for unilateral approaches to make any decisive difference in the South China Sea.

Against that backdrop, we explore here the possibilities for Australia pursuing an alternative 'Asia-first' approach to the South China Sea disputes. This is not to imply that Canberra should simply support the Association of Southeast Asian Nations (ASEAN) on an unqualified basis. Nor should it subcontract its regional diplomacy on this issue to ASEAN elites, as some distinguished contributors to Australia's South China Sea debate have suggested.<sup>6</sup> The fact that a number of pivotal ASEAN countries have a direct stake in the disputes means that Canberra would risk being co-opted into supporting their respective causes the closer it gets to them. Moreover, the fact that ASEAN unity has crumbled at key junctures – most recently following the July 12 ruling by an International Tribunal in the Hague on Philippines and Chinese claims in the South China Sea – does not auger well for this approach.<sup>7</sup> Instead, it is proposed here that Canberra should consider engaging far more closely with like-minded Asian 'middle powers', such as South Korea and Indonesia, who are not directly involved as claimants in the South China Sea disputes but whose interests are increasingly impacted by rising tensions in this important body of water.

The idea that Canberra should work 'with the region' more generally and collaborate with regional middle powers in particular is, of course, not a new one. Gareth Evans was a strong advocate of such an approach whilst serving as Australian Foreign Minister during the early 1990s.<sup>8</sup> The difference today is that there is a greater convergence between such Asian middle powers as Australia, Indonesia and

**There is greater convergence between Asian middle powers like Australia, Indonesia and Korea in terms of their security outlooks.**



Korea in terms of their security outlooks and relative economic and strategic weight. To be sure, and for understandable reasons, Seoul's primary focus of attention must remain the existential threat posed by the Kim Jong-Un regime to its North. That said, it is becoming increasingly difficult to view East Asia's flashpoints as completely separate entities, as illustrated by the recent statement out of Beijing and Moscow simultaneously criticizing US interference in the South China Sea and on the Korean Peninsula.<sup>9</sup> Given this growing interconnectivity between East Asia's flashpoints, the potential for one to impact regional stability as a whole is also increasing.

As Australia works more closely with Indonesia and Korea in relation to the South China Sea, the collective efforts of middle powers should be largely diplomatic rather than military in nature. In too much of the commentary around the South China Sea disputes thus far there has been a tendency to overstate the military capacities of regional players, even in the case of China. To date, the US remains the only country in the world with the genuine capacity to project power across this sizeable body of water. Indeed, the fact that Beijing appears to be militarizing several outposts upon reclaimed land in the South China Sea could be read as much as a sign of Chinese weakness as it can an indication of Chinese strength, reflecting Beijing's ongoing challenges when it comes to projecting military power

from the mainland.<sup>10</sup> Likewise, despite its formidable air and naval capabilities, Japanese assets also continue to be tied up predominantly undertaking patrols in the East China Sea, meaning that there are limits to what Tokyo is able to dedicate both in terms of equipment and personnel in the South China Sea.<sup>11</sup>

## The collective efforts of middle powers should be largely diplomatic rather than military in nature.

The focus of Australian, Indonesian and Korean diplomacy in relation to the South China Sea disputes could be at least twofold. The first target would be Beijing's assertive policies. Criticism from Washington, Tokyo, Manila and even Hanoi in response to its South China Sea assertiveness continues to come as little surprise to China's leaders. Indeed, it is most likely that such criticism is read in Beijing as part of a larger US-led effort to 'contain' China's rising regional influence and that it will invoke a like response – thus fuelling a potentially dangerous regional 'security dilemma.' This was evident in Chinese Foreign Ministry spokesman Hong Le's warning issued in the aftermath of Australian Foreign Minister Julie

Bishop's queries about the policy motivations underlying China's reconstruction and reclamation work in the South China Sea that Australia should 'adopt an objective and unbiased attitude' on this issue.<sup>12</sup> However, if others from the region without a direct stake in the disputes are also voicing their concern to Beijing – *privately* as well as publicly – a case can be made that such protestations may improve the long-term prospects for influencing Chinese behavior.



Added to this, and making use of the fact that Australia, Indonesia and Korea are not claimant states, a second focus for their diplomacy could be to encourage those countries who are to work more urgently and assiduously towards some resolution to the disputes while time remains on their side. An intensification of security dilemmas in the South China Sea, including the prospect of China declaring an Air Defence Identification Zone (ADIZ) in those waters commensurate to that it has established in the East China Sea, needs to be avoided if at all possible. Moreover, while Chinese current military capabilities should not be overestimated, as these continue to improve over the longer term on the back of Beijing's growing economic weight, the ability of smaller claimants to strike an optimal bargain will almost certainly diminish in the process. Particularly as the military gap between China and America gradually closes, thus leading towards a less favourable Asian balance of power.

Australia's South China Sea debate as currently configured between the 'America-choice' and 'Australia-choice' schools feeds into a larger debate as to which side Canberra should 'choose' between China and America. An advantage of the 'third way' proposed here is that it circumvents this debate in a way which ultimately satisfies the minimum requirements of both camps. It retains an Australian adherence to the norms of international law by its support of freedom of navigation, thus still aligning it with Washington's basic position. However, it also fosters the image of a 'more independent Australia' in ways that may facilitate that country's independent ability to trade and to conduct important diplomatic dialogues with Beijing in its own right – a point recently emphasised by the Australian Labor Party's former foreign policy spokesperson, Tanya Plibersek, in a major address to the Lowy Institute.<sup>13</sup> By cooperating more closely with Korea and Indonesia – who are an American ally and partner respectively – Australia can help shape a distinctly indigenous middle power activism in the Asia-Pacific that would invariably serve and support American interests and objectives in the South China Sea over the longer-term. For as former US Ambassador to China Chas Freeman has sagely observed:

The Cold War seemed to teach the United States that safety lay in deterring conflict rather than in attempting to address its cause. But applying this timid approach (derived from yesterday's nuclear standoff and strategic stasis) to the dynamic situation in today's Indo-Pacific and South China Sea perpetuates rather than controls risks and escalates rather than subdues tensions. U.S. interests would be far better served by a bold attempt to eliminate the causes of conflict than by continuing the futile pursuit of mechanisms for managing tensions.<sup>14</sup>

Given their relative distance from the South China Sea disputes, their converging interests in regional stability and their not insubstantial combined economic and strategic weight, Canberra, Jakarta and Seoul are perfectly placed to initiate such a bold attempt.

## Policy Recommendation

- ✦ Australia's policymakers should explore an 'Asia-first' approach, cooperating with Indonesia and the ROK to help manage and to encourage resolution of the South China Sea conflict.



# Middle Power Diplomacy in the South China Sea Disputes: An Indonesian Perspective

Shafiah Muhibat and Christine Sussnna Tjhin (Centre for Strategic and International Studies, Indonesia)

## Executive Summary

- ✦ There is growing interest in and discussion over Indonesia's approach to the South China Sea.
- ✦ Indonesia has already chosen her approach: a non-claimant 'honest-broker'; champion of ASEAN to manage the dispute; and strategic autonomy for Southeast Asia from the major powers.
- ✦ The bilateral Indonesia-China relationship is weak with low levels of trust and trade.

## Policy recommendation

- ✦ Middle power collaboration is possible, but will require addressing issues of legitimacy and trust between the three countries. Gaining experience cooperating trilaterally would also be beneficial, and Australia and South Korea will need to accept and support ASEAN-led initiatives.

The South China Sea (SCS) has been one of the tougher litmus tests for Indonesia in asserting her leadership as a middle power in the region, with the level of trust for ASEAN at a low point. Even though Indonesia is not a claimant state, Indonesia has great interest in preserving freedom of navigation and peaceful maritime security. The escalating tensions in the SCS have not only further challenged ASEAN's relevance in the region and Indonesia's legitimacy as the "natural leader", but have also drained the energy and resources of the region away from potential development cooperation and growing non-traditional security threats, such as terrorism, piracy, kidnappings, smugglings, etc.

## Jakarta has already made her decisions.

Indonesia's position on the SCS came into great scrutiny again after the March 2016 spat that involved an Indonesian patrol ship, a Chinese fishing vessel Kway Fey and the Chinese Coast Guard in Indonesia's Exclusive Economic Zone, not far off Natuna islands. Numerous observers immediately indicated that the incident might (or should) finally change Indonesia's position on the SCS issue. Observers have tried to make sense of Indonesia's attitude through the flurry of responses by Indonesian officials and politicians that have mushroomed in (social) media in the past few years.

Strong responses first came from Minister of Maritime Affairs and Fisheries, Susi Pudjiastuti, who threatened to bring the case to the International Tribunal for the Law of the Sea [ITLOS]. Immediately after, Foreign Affairs Minister, Retno Marsudi also sent an official diplomatic note of protest to Beijing. More than a few legislators and politicians have also made tough statements pressuring President Joko Widodo to take firm actions against China's 'disrespect over Indonesia's sovereignty'. Media reports also highlighted statements from defense officials of plans to implement various military facilities' upgrades in the Natuna islands.

Other high level officials, including the Deputy for Maritime Sovereignty at the Coordinating Ministry for Maritime Affairs, Arif Havas Oegroseno; Cabinet Secretary, Pramono Anung; the President's foreign policy advisor and Ambassador to United Kingdom, Rizal Sukma; Presidential spokesperson Johan Budi; as well as former Coordinating Minister of Politics, Law and Security, Luhut B. Pandjaitan have expressed different views. The incident has also been described as more of an illegal fishing problem, not as conflict or direct challenge to Indonesia's sovereignty.

To avoid further speculation, the government has indicated that any official position on the SCS will come only from the Ministry of Foreign Affairs (MFA). Comments made by other officials in the media ought to be treated as statements of individual politicians. The media bustle pretty much subsided after President Widodo received a visiting Chinese Communist Party delegation and announced that the matter was settled.

Such pronounced attention in the media indicated at least two things. First is the significance of Indonesia's stance in the SCS issue – despite the fact that Indonesia is not party to the disputes. Indeed, once Indonesia alters her position, the constellation of SCS disputes will change dramatically. Whether or not or how such alteration could guarantee immediate or ultimate resolution to the SCS disputes is another issue altogether.

Second is the urgency to come up with an effective regional mechanism in managing, if not resolving, the ongoing maritime disputes as it faces greater risks of escalations. China's reclamation in Spratlys and the subsequent strong reactions have effectively hindered negotiations in ASEAN at the government level, including efforts to implement the Declaration on the Conduct of Parties (DoC) and to formulate the Code of Conduct (CoC). Although Track 1.5 or 2 have been crucial in supplementing the communication process, they can only go so far.

Most commentaries regarding the March incident have incessantly, if not obsessively, urged Indonesia to make a decision or a stand. Actually, Jakarta has already made her decisions. First, to maintain status as non-claimant and the role of 'honest-broker'; second, to champion a more cohesive ASEAN

## **The government has indicated that any official position on the SCS will come only from the Ministry of Foreign Affairs.**



## Levels of trust between Indonesia and China have not meaningfully improved.

so-called Indonesia-China comprehensive strategic partnership to bring about constructive impacts in regional dynamics.

At the earlier stage of diplomatic normalisation in 1990, Indonesia was mainly relying on ASEAN mechanisms in dealing with China. Bilateral re-engagements had a *lento* prelude and has only picked up its tempo gradually when the *Reformasi* era began in Indonesia. The conception of 'strategic partnership' status in 2005 and its subsequent upgrade in 2013 have been regarded by many as an increase in mutual strategic interests.

The interests are perhaps there, but actual institutionalisation processes of this partnership have mostly been lethargic and half-baked. Agreements that accumulated from a number of bilateral dialogues and joint committees meetings have only now and then been translated into national policies.

Economic relations, supposedly the backbone of the relations, have relied heavily on bilateral trade, which is concentrated on export of oil-gas, minerals and products with little added value from Indonesia. Bilateral investment, mostly coming from China and focusing on infrastructure development in Indonesia, have traditionally had very low realisation rate, and only in 2015 showing signs of serious increase. Chinese investments in Indonesia, which often got highlighted in local media, are often times the ones tarnished with failures (10,000 megawatt power plants projects, TransJakarta Busway armada, etc) or mishandlings (illegal migrants and low-skilled workers, etc). In comparison, export and investment from Indonesia to China is negligible.

platform in managing, if not resolving, the disputes; and third, to advocate strategic autonomy for the region from major powers strategic rivalries.

Not a few have asked, 'How far should China go until Indonesia do something?' Indonesia, at least the Foreign Ministry and the President, are convinced that China will not cross that line. Such confidence is obviously not shared by some elites in Jakarta, as well as some parts of the international audience.

The prevalent uncertainty amongst Jakarta's elites stems from, among other things, the dearth of socio-political capital and trust in Sino-Indonesian relations, especially if compared to Indonesia's relations with the US or ASEAN neighbors.

This situation consequently led to the inadequacy of the



These serious gaps have their roots in legacies of the Cold War as well as both countries' domestic and foreign policies, particularly from the 1960s to 1970s. These have not yet been completely dismantled despite the inception of Open Door Policy in China as well as *Reformasi* in Indonesia. With such deficient of tangible benefits in the bilateral engagement, levels of trust between Indonesia and China have not meaningfully improved. Unless efforts are made to attain sufficient levels of trust, it would be harder for Indonesia and China to engage each other constructively on regional security challenges like the SCS. This is where constructive engagement, not conflict escalation, would be more relevant to Indonesia's interest in maintaining strategic autonomy.

Relations with China is an inevitable factor in discussing any chance for middle power collaboration in the SCS. The current intensity within the region reflects how most countries' foreign policy is defined within the context of major power rivalries, namely US and China. Middle power collaboration has the potential to bring about alternative norms and practices, provided that there is a certain healthy distance from these two major powers. Such collaboration, unfortunately, is not easy to generate.

Middle power collaboration between Indonesia, Australia and South Korea bears interesting potential, however, it suffers from problems of legitimacy and lack of mutual trust. An ideal middle power collaboration should not be an extensions of great power agendas and provide conducive environment for strategic autonomy of the region. From Indonesia's point of view, the significant US military presence in Australia and South Korea reduces their legitimacy.

This trust issue is further complicated by existing bilateral dynamics. With Australia, Jakarta has not been fully able to get past the military intervention in 1999 and the sudden decision in 2011 to host 2,500 US Marines in Darwin by 2017. Australia's recent participation in the Balikpapan 2016 wargames with the US and the Philippines signals Australia's lack of faith in ASEAN-led mechanisms.

## **Constructive engagement, not conflict escalation, would be more relevant to Indonesia's interests.**



## Another challenge for middle power collaboration is that the habit of trilateral cooperation is not yet institutionalised.

Though often times escaped limelight, Indonesia has sustained cordial relations with South Korea since the establishment of diplomatic relations in 1973 and strategic partnership in 2006. Years of solid economic relations have expanded to include security and defense cooperation. South Korea's participation in ASEAN-led initiatives have also been noted. Nevertheless, Korea Peninsula security issues, which has China-US elements in it also, have always overshadowed South Korea strategic concerns far more than the SCS.

Another challenge for middle power collaboration is that the habit of trilateral cooperation is not yet institutionalised. While Indonesia has endeavored to maintain constructive bilateral relations with Australia and South Korea, not much actual experience has been accumulated trilaterally.

All three countries have, with different degrees, participated in the same multilateral engagements – be that in ASEAN-led initiatives, e.g. ASEAN Regional Forum (ARF), ASEAN+6, and the (expanded) East Asian Summit, or in other initiatives, e.g. G20, APEC, MIKTA. However, it is not often that the three countries have sided together in a specific trilateral strategic agenda. If there is no core common agenda to be established trilaterally, the very least for convincing Indonesia to even consider trilateral collaboration in the SCS at this point would be Australia's and South Korea's acceptance and support for ASEAN-led initiatives.

With that in mind, to identify 'acceptable' solutions to the SCS problem, it would help to look at the three critical areas in the SCS dispute: 1) Sovereignty; 2) Jurisdictional disputes; and 3) Activities driven tensions. Resolving sovereignty issues amongst all the claimants is a tough effort. Non-claimants have no say in the matter. What non-claimants should strive for in this particular area is the creation of a conducive environment to reduce escalation of tensions. This may include supporting an ASEAN-centered initiative in drafting the CoC without excluding China in the process.

For the second critical area, the three middle powers can contribute in supporting joint development initiatives to ease jurisdictional disputes in relevant areas. Many of the existing initiatives that were agreed upon in the past have temporarily been halted by the heated environment.

Where activities-driven tensions are concerned, the three can also consider China's earlier suggestion to expand the use of Code for Unplanned Encounters at Sea (CUES) to Coast Guards or relevant maritime security agencies that are operating in the disputed areas. CUES is an instrument that has been agreed upon by 21 countries (including the three middle powers) during the 2014 Western Pacific Naval Symposium.

### Policy recommendation

- ✦ Middle power collaboration is possible, but will require addressing issues of legitimacy and trust between the three countries. Gaining experience cooperating trilaterally would also be beneficial, and Australia and South Korea will need to accept and support ASEAN-led initiatives.

# South Korea's Strategic Distance from the South China Sea

LEE Jaehyon (Asan Institute for Policy Studies)

BONG Youngshik Daniel (Yonsei University)

## Executive Summary

- ✦ China and the US are developing rival regional frameworks – ‘One Belt, One Road’ and ‘Indo-Pacific’ respectively.
- ✦ South Korea has been careful not to take sides between China and the United States on the South China Sea despite a push from Washington to do so.
- ✦ South Korea has a small territorial dispute with China over the leodo/Scotra Rocks in the Yellow Sea.

## Policy Recommendation

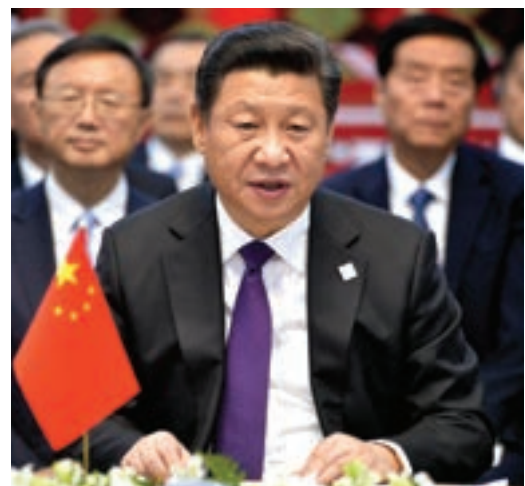
- ✦ Indonesia, Australia and Korea can develop and deepen spoke-spoke networks and raise their common voice on regional affairs. In turn, this development will decrease the leeway for hub countries (China and US) to unilaterally shape the regional order, potentially disregarding the strategic interests of regional medium and small countries.

## Clash of Strategic Paradigms and South China Sea

Current disputes in South China Sea (SCS) are local manifestations of geostrategic rivalry between the US and China. Both countries have tried to broaden their own spheres of influence based upon their own strategic paradigms. The SCS dispute is one of many current and potential flash points in the race between two strategic paradigms, which can be aptly described as a clash between the US ‘Indo-Pacific region’ and China’s ‘One Belt, One Road (OBOR)’.

First announced in 2013, the ‘One Belt, One Road’ initiative has been vigorously pursued by the Chinese government. As the chair country for the ‘Conference on Interaction and Confidence-building Measures in Asia (CICA)’ in 2014, President Xi Jinping has effectively linked OBOR and CICA. Criticizing the US alliance system in Asia as a legacy of the Cold War order, he proposed a new framework of security cooperation. Two major developments occurred in 2015. First, the Chinese government published a new map of OBOR, which included the Pacific Islands. Second, the Asian Infrastructure Investment Bank (AIIB) was formally launched in 2015. As a result, the OBOR now not only has expanded, but is equipped with financial instruments.

With these developments, China is looking west and is building its own ‘hub and spokes’ system in the region. The main target of China’s OBOR is Central Asia, South Asia, Southeast Asia and some parts of the Middle East. The countries in these regions are mainly developing countries that badly need financial resources to build infrastructure. China, with its economic clout, is trying to build its own sphere of influence in the region.



Meanwhile, the US has been trying to balance China expanding its sphere of influence. The Rebalancing Strategy to the Asia-Pacific has switched its emphasis from economic engagement to military engagement. The strategy has also adopted the Indo-Pacific as a new and expanded geostrategic concept. Since 2014, the US has focused on building and strengthening a strategic coalition with Japan, Australia and India through extensive summits among those four core countries as its cornerstones of the Indo-Pacific.

## It is not likely that China and the United States will try to physically dominate regional countries.

United States will try to physically dominate regional countries as empires or sole hegemonic powers as it once did in the past. The cost of waging a hegemonic war is too high. Neither is it likely that either side will reject the capitalist economic system in principle. Not just the US but also China has gained so much from the current economic system. The mode of power transition, if it ever occurs, will be limited clashes.

### South Korea as a Middle Power on the South China Sea

Then, what sort of stakes and strategic options on the SCS dispute does Korea have as a middle power? The clash between the United States and China has put South Korea in difficult strategic dilemmas as one of the middle powers who share enormous security and economic interests with both parties of the dispute. At the same time, the Sino-US rivalry helps broaden the possibility of cooperation among the middle powers to manage the remaining issues in the SCS.

For South Korea, the current situation in the SCS has not reached the critical decision point for it to move beyond maintaining its basic position of respect for mainstream international maritime law and freedom of navigation. The contest between the two strategic paradigms of the United States and China remains in an early state. The Chinese assertion of its maritime sovereignty in the SCS based upon the so-called 'Nine-Dash Line' has not been clearly articulated. Considering the fluid state of the strategic rivalry between Beijing and Washington and the opacity of China's assertion, it is premature for South Korea to make any decisive break regarding its position on the SCS. Its policy should focus on participating in and promoting cooperation among the middle powers to seek pragmatic means to keep the tension in the region under control.

The concept of the Indo-Pacific has been increasingly gaining currency in the region. It is moving west along with the Chinese expansion to Central, South and Southeast Asia and the Middle East. While the Chinese OBOR is fundamentally continental in design, the Indo-Pacific, as the name suggests, is a maritime project. China is linking neighbouring developing countries, while the US Indo-Pacific has strategic footholds – Japan, Australia and India – in the region as its main elements.

It is not certain at all what kind of regional order will emerge out of this competition. Given that the two superpowers pursue different kinds of hub and spokes systems in the region, it is likely that a new regional order will be fundamentally different from the regional order the Asia-Pacific region has been familiar with since the end of the Pacific War. In addition, it is not likely that China and the



South Korea has been careful not to take sides between China and the United States on the SCS dispute. In 2015, the Park Geun-hye government has been asked by Washington to take more decisive position in support of the US position. For instance, US President Barack Obama stated at the bilateral summit meeting with President Park Geun-hye in October 2015 that Washington would expect Seoul to join the United States to urge China to follow international maritime laws in the SCS.

In 2015, the South Korean government publically addressed its position on the SCS situations for the first time. In November, the Minister of National Defense Han Min-koo clarified South Korea's position at the Association of Southeast Asian Nations (ASEAN) Defense Ministers' Meeting Plus held in Malaysia that South Korea recognised the need for a peaceful resolution of the South China Sea dispute and that the freedom of navigation and flight should be guaranteed. Few days later, Foreign Minister Yun Byung-se reiterated the position at the Asia-Europe Meeting (ASEM) foreign ministers' meeting in Luxembourg.

South Korea is not a claimant country in the SCS, but has huge strategic, diplomatic and economic stakes invested in the SCS. South Korea has a small territorial dispute of its own with China. Both countries claim a submerged rock in the Yellow Sea, known internationally as the Socotra Rock, and called Suyan Rock by China and leodo by South Korea. How China will frame its assertions of sovereignty over the disputed islets in the SCS will affect the possible negotiations between South Korea and China over their own territorial issues.

Furthermore, the worsening of tension in the SCS will drive South Korea in the double bind between the fear of abandonment and that of entrapment. The escalation of tension between China and the United States will increasingly compel Seoul to clarify its stance on conflicting claims between them. Choosing one claim over the other will certainly undermine South Korea's strategic trust for one of the two superpowers. At the same time, doing so will jeopardise South Korea's ability to stay out of the SCS dispute and may force it to be dragged into the Sino-US clash in the SCS.

In the short term, South Korea cannot avoid experiencing a strategic dilemma as other regional countries do. Korea is heavily dependent on China for its economic future. At the same time, the US still accounts for a substantial part of Korea's security. The rivalry between the US and China over SCS, therefore, has impact on Korea's economic and security future. Moreover, the countries locking their horns over the territories in the SCS are Korea's close neighbours – ASEAN countries and China. These are states which Korea so far has invested a lot of diplomatic resources to cultivate good relations. The dispute among these countries is putting, and will put, Korea in a diplomatic dilemma or more.

Korea's economic stakes in SCS is two-fold, i.e. direct and indirect interests. The worsening situation of SCS dispute has direct implication for Korea's trade. Korea is the world's seventh largest exporter and 9<sup>th</sup> importer, so it is dependent on international trade.<sup>15</sup> 1.1 billion tons of its trade annually passes through the SCS. Free flow of goods through the SCS is crucial for Korea. Korea's oil imports will be blocked by any undesirable event in the SCS. At the moment, 86% of its oil import comes from the Middle East and most of the import must pass through the SCS.<sup>16</sup> All the countries directly involved in the SCS dispute are Korea's major trading partners – China, the US, Vietnam to just name a few – which means any serious military clash involving these countries will have negative impacts on Korea's trade.

## **South Korea cannot avoid experiencing a strategic dilemma as other regional countries do.**





# Korea and Australia have to develop bilateral strategic cooperation further.

## Middle Power Spokes Cooperation

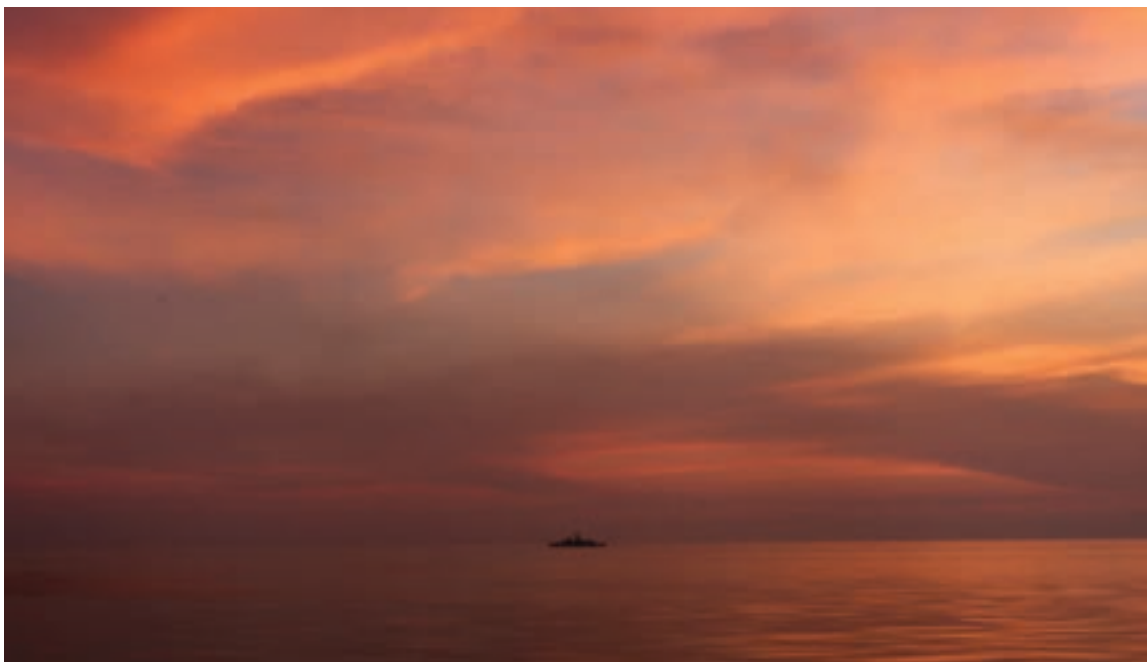
Unlike the situation during the Cold War, the middle powers today are not just spokes connected to one hub. Australia, Indonesia and Korea in one way or another are linked to the two hubs, one by the United States and the other by China. These middle powers are heavily dependent on China economically. But they are also either in military alliance with the US or in need of US presence as security balancer.

Such new dimensions of the current 'hub-and-spoke' systems allow the middle powers to exercise greater autonomy to the United States and China than in the past. For regional middle powers, the spoke is a channel to address their strategic

interests to the hub countries. During the Cold War, the channel from the spoke countries to the hub was narrow, given the power asymmetry between the hub and spokes. Now, given the capacity of the middle powers in the region, the channel from the spoke to hub is wider than before and, in a way, is substantially interactive. With this, regional middle powers can exert substantial influence over the behavior of the hub countries. In addition, given that spoke countries maintain channels to both the US and China, it can be an effective instrument for mediation and bridging between the superpowers as well.

Furthermore, there is a chance for cooperation among the spoke countries in the regions. Indonesia, Australia and Korea can develop and deepen spoke-spoke networks and raise their common voice on regional affairs. In turn, this development will decrease the leeway for hub countries. They will have less chance to unilaterally shape the regional order, potentially disregarding the strategic interests of regional medium and small countries. This is an important pre-condition for middle powers' role in the region.

To this end, Korea and Australia have to further develop bilateral strategic cooperation. Since the establishment of the 2+2 Foreign and Defence Ministers' Meeting, strategic cooperation is expanding. This can be a model for Indonesia-Korea middle power cooperation in the area of security matters. Still, there is room for improvement. Before the countries start strategic cooperation, they first have to understand the security concerns of their partners. For instance, Australia's security concerns are not well understood in Korea, Korea does not understand the SCS issue very well, and ASEAN does not fully understand Korea's concerns for the security urgency on the Korean peninsula. The cooperation first has to increase awareness of others' security concerns, which will pave the way for more fruitful strategic cooperation.



## In Search for the End-State of the South China Sea Dispute

The best scenario for resolving the dispute in the SCS might be a 'final and irreversible' agreement among concerned parties, reached through a peaceful dialogue and negotiation. Considering the nature of the dispute and past experience in the SCS, achieving this goal may remain elusive. Making concessions on national territories is not a popular option for any political elites who deal with strong pent-up nationalism and fragile and complicated power bases in domestic politics.

The current situations in the SCS demands good diplomatic management of the dispute that help minimise the chance for unintended armed clashes in the SCS. In the past few years, the we have seen a growing trend of militarisation in the SCS. China has installed military facilities in many islands and increased navy and coast guard patrols in the SCS. The US, as a reaction, has implemented military operations in the SCS, arguing that the missions are to secure the freedom of navigation in the SCS. ASEAN countries too have procured new and used naval ships, and reached out to neighbouring countries with credible military capabilities including the US, Japan and India. The next consequence of these actions is higher risk for an unintended military clash in the SCS, which may lead to major instability in the SCS. This should be avoided at all cost.

In order to accomplish this goal, related parties may adopt some pragmatic mechanisms: installing hotlines, observing existing Declaration of the Conduct of Parties in the South China Sea (DOC), or reaching agreement and observing stricter Code of Conduct for the South China Sea (COC). Until all the related parties will state their respective territorial and maritime claims in unequivocal and consistent manners that are in parallel with the mainstream international maritime law, unilateral and multilateral foreign policy should remain focused on conflict-prevention and management.

**Making concessions on national territories is not a popular option for any political elites.**

### Policy Recommendation

- ✦ Indonesia, Australia and Korea can develop and deepen spoke-spoke networks and raise their common voice on regional affairs. In turn, this development will decrease the leeway for hub countries (China and US) to unilaterally shape the regional order, potentially disregarding the strategic interests of regional medium and small countries.



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