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# Regional Maritime Security in East Asia

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# CUSAPS Discussion Paper No. 1/2014: Regional Maritime Security in East Asia

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## *Executive Summary*

- Increasing opportunities for products and services provided by South Australia's established and experienced defence industries are consequences of the gap in maritime intelligence, surveillance, and reconnaissance evident in the region.
- South Australia's defence industries should be encouraged and assisted by state and federal governments to expand engagement with regional partners within the strategic context which is set out in this report.
- The Australian federal government should enhance engagement with regional navies, bolstering security capabilities mindful of regional security dynamics.
- The People's Republic of China is precipitating a region-wide defensive reaction by its massive, and opaque, military modernisation which is feeding its increasingly assertive behaviour.
- The increased defence spending across the region has resulted in inexperienced regional navies equipped with advanced technology but without the appropriate capacities.
- Relations between the region's major powers – China and the United States – are best characterised as a strategic rivalry with attendant risk of miscalculation.

- Among the inexperienced regional navies there are parallel risks of unintended clashes in the air and at sea and in a context of under-developed legal and institutional mechanisms.
- Australia should continue to adhere to a clear and resolute China policy, engaging China where co-operation allows, while defining, enforcing, to the best of its capacity, limits to unacceptable behaviour in accordance with accepted international norms.

### *The South Australian Economic Context*

These tensions have implications for broad security concerns but also for the South Australian defence industry profile. South Australia's defence industry is uniquely positioned to deliver advanced expertise in engineering, testing and evaluation, systems integration, and through-life support across a range of maritime ISR capabilities to meet the rising demand in regional maritime states.

These include:

- Maritime patrol aircraft operations and support (as demonstrated by the \$1 Billion S.A. based Project Sentinel – the largest project of its kind in the world)
- Unmanned Aerial Systems (S.A. is set to become a centre of excellence in UAS incorporating the aircraft, ground control station, communications systems, information analysis, maintenance, logistics and other support facilities)

- Aerospace electronics and components (for example BAE Systems and RUAG Aviation manufacture and process vertical tail fins for the F-35 Joint Strike Fighter program in Adelaide)
- Cutting-edge systems design (including in Electronic Warfare, Command Control Communications and Intelligence, software, and advanced imagery solutions)
- Landing Helicopter Dock mission system design, development and integration
- Unmanned Underwater Vehicles
- Training and skills provision to regional navies.

In the maritime sector it may include the construction of smaller patrol vessels, the provision of parts and equipment, the repair, refit, modernisation, and maintenance of naval capabilities. Additionally, S.A. may also contribute to advanced technical training necessitated by both aerial and oceans surveillance, and the data fusion and sharing required by cooperative activity between states.

Commercial opportunities abound for S.A.'s defence industry as regional states pursue unprecedented levels of naval modernisation. Australian technology and professionalism are highly valued in regional capitals. Maritime East Asia's security challenges thus represent opportunities for industry that dovetail with the national interest in a stable and peaceful regional order.

### *The Regional Strategic Context*

The East Asian maritime security environment is exhibiting both a heightened state of instability and a more threatening set of dynamics. In response to

maritime jurisdictional and political tensions, in addition to extra regional power involvement, states are expanding and upgrading their naval assets and introducing coastguard capabilities. As East Asia is reliant on maritime resources (including fisheries, and hydrocarbons) and seaborne trade, the potential for disruption is significant. These changing security dynamics are driven by a China that is both militarily and economically strong, while inherently vulnerable due to a lack of control over various important sea lanes and choke points. This is a situation that it is determined to rectify unilaterally and through coercion if necessary. While China's defence policy remains opaque its South China Sea strategies including land reclamation, base construction, and relocation of deep sea oil rigs are both visible and explicit.

The increased instability is also a consequence of the rise of tit-for-tat behaviour exhibited by both regional and extra regional states. Countervailing Chinese behaviour are the uneven but upward-trending competitive force modernisation efforts of the region's small and medium powers, some of whom are creating modern navies for the first time, amidst an under-developed legal and institutional landscape not capable of dealing with these dynamics.

This is the context within which to evaluate the ongoing U.S. "re-balance" to the Asia-Pacific, underway officially since 2011 with its military, economic, and diplomatic policies. These dynamics are intertwined with a range of issues including competition over resources and fish stocks, boundary and jurisdiction disputes, unplanned and dangerous military and paramilitary encounters at sea and in the air, and politicisation of historical and cultural frictions exacerbated

by greater regional integration and competition. These impacts are most pronounced in the maritime environment, where geography compels state interests toward the overlapping spatial domains.

The heightened importance of seaborne trade through key strategic waterways combined with increasing demands for seabed resources complicate unresolved territorial disputes and create the urgent need for co-operation, particularly at sea, to manage the oceans and to alleviate tensions. It also heightens the possibilities of conflict if uncertainty continues to prevail.

#### *Risk Assessment*

The most immediate risks to regional maritime security are accidental military encounters at sea and in the air engendered by the rising military prowess of regional states which in turn reflect rising national stakes in successful outcomes, however defined. The potential for accidental damage and loss of life is high, as is the risk of strategic miscalculation and escalation. The intensifying patterns of coercion in the maritime domain are increasing tensions between China and regional states.

China's increasing assertiveness can be seen in its uncompromising claim to the 90 per cent of the South China Sea, the deployment of a deep-sea oil rig into Vietnam's Exclusive Economic Zone near the Paracel Islands, the permanent presence of Chinese vessels at Scarborough Shoal, and the use of maritime vessels in a 'cabbage strategy' (surrounding an island with concentric layers of commercial and military vessels), the reclamation of rocks and submerged

features in the Spratly Islands to create artificial islands that may support military installations, and the unilateral declaration of an Air Defence Identification Zone in the East China Sea that covers the disputed Senkaku/Diayou islands.

Actions of this nature create, presumably by design, heightened concern amongst regional states that undermine China's efforts at "soft diplomacy". It creates a perception field to interpret further aggression as China's unilateral steps to create new facts in the water, in the air, and on the ground in its maritime periphery.

Regional states are grasping for measures to resist this creeping assertiveness that inevitably lead to competitive force modernisation and in particular, naval modernisation. East Asian defence budgets are rising rapidly, creating a buyer's market in weaponry.

Perhaps as important, however, is the need for regional states to upgrade their diplomatic and bureaucratic capacity. Indonesia, the largest state by far in the region, is case in point. The new Indonesian government under President Joko Widodo was elected with a promise of establishing Indonesia as a *poros maritim dunia* or global maritime axis. Central to this conceptualisation are:

- a substantial increase in Indonesia's defence budget
- enhancing maritime security and surveillance
- curbing the domestically sensitive issue of illegal fishing by neighbouring states.



In order to do this, the new government will continue to:

- focus on investments from outside for technology transfers and skills training with other navies,
- drive towards defence self-sufficiency.

But missing in this upgrade are many of the other needs that must be met, including the upgrade of diplomatic, bureaucratic, and operational capacity.

Force modernisation in the region is occurring reactively and is driven to a large part by external concerns, with a paucity of attention paid to the long-term strategic ramifications. A tit-for-tat dynamic in regional arms procurement, absent the careful consideration of the broader context, will result in a net decline in maritime security via the exacerbation of the security dilemma. Good order at sea and the safety and security of the maritime domain are at risk, as are international norms supported by the U.N. Convention on the Law of the Sea. This is increasing the risk of miscalculation by inexperienced regional navies.

Within Southeast Asia, strategic uncertainty is rising as a consequence of Beijing's actions. More concerning, however, is the increasing strategic rivalry currently being witnessed in East Asia between China and the U.S. and Japan as the primary actors. China's military modernisation of the last two decades has been focussed on a potential Taiwan contingency, and as such the imperative to deter or deny U.S. intervention. The post-Cold War American power projection method centred on secure forward basing and carrier strike group access is now threatened by China's anti-access, area denial (A2AD) capabilities that include accurate cruise and ballistic missiles, a growing submarine and surface fleet, and

increasingly sophisticated air defence systems. The U.S. responded in 2009 with the emergence of the Air-Sea Battle operational concept, and in 2012 U.S. Department of Defense strategic guidance codified the need to project power despite A2AD. The ongoing sequestration of defence spending in the U.S. is nonetheless a heavy constraint on these responses. The role of Japan and other regional U.S. allies and partners remains unclear under an Air-Sea Battle/ Joint Concept for Access and Maneuver in the Global Commons concept, while those countries high-end procurement activities may be indicative. While East Asia remains peaceful, the re-emergence of China as an economic and military power has had ramifications for the balance-of-power that is in the process of adjustment, and as such the risk of a high-end conflagration cannot be discounted. Australia's national interest in the regional status quo should be reflected in the requisite level of sustained defence spending.

### *Strategic Policy Recommendations*

The problem of a deteriorating regional strategic environment is exacerbated by the lack of clearly communicated strategic intentions and regional maritime capabilities. More can be done to both address Chinese intransigence and aid ASEAN states in developing their capacities to secure their maritime spaces. As such, an appropriate Australian response should:

- Maintain an appropriate level of defence spending in order to play a key role in the development of a clear and resolute China policy that prescribes and enforces limits to acceptable behaviour in accordance with international norms

- Recognise the legitimacy of China's desire to enhance its security and the shared interests that exist across the board, supporting a continued effort to engage China in 'two-track diplomacy' to foster trust and responsible conduct in the maritime domain
- Encourage regional participation in maritime safety and security exercises, both military and non-military, and diplomatic fora such as the Indian Ocean Rim Association (IORA) and expanding defence diplomacy to encourage the development of common practices and procedures that promote good order at sea
- Expand and encourage the procurement of intelligence, surveillance, reconnaissance (ISR) platforms such as unmanned aerial vehicles and unmanned underwater vehicles by ASEAN states as a means to eventually building a common operating picture of the regional maritime environment
- Promote openness and transparency in the region regarding arms procurement via the provision of technical and operational support and standards of behaviour by making public footage of dangerous and irresponsible actions at sea
- Conduct research facilitating a knowledge and understanding of:
  - i) Australian seaborne trade from a supply chain perspective
  - ii) longer term equipment requirements of regional navies
  - iii) the operationalisation of maritime cooperation.

### *Implications for South Australia*

In this difficult and worrying strategic situation, there are opportunities for South Australia to contribute in meaningful ways to both the resolution of this situation and also to discover opportunities that will enhance its economic future. One result of the rising regional uncertainty and the gap in maritime intelligence, surveillance, and reconnaissance is the increase in product and services opportunities for South Australia's established and experienced defence industries. Consequently, South Australia's defence industries should be encouraged and assisted by state and federal governments to expand engagement with regional partners within the strategic context which is outlined in this report.