

# CONFLICT IN THE EAST CHINA SEA: WOULD ANZUS APPLY?

A research project of  
the Australia-China Relations Institute, UTS  
in collaboration with  
La Trobe Asia and the  
Strategic and Defence Studies Centre, ANU

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November 2014



**FRONT COVER IMAGE:**

An aerial photo from Kyodo News shows Chinese ocean surveillance, fishery patrol ships and a Japan Coast Guard patrol ship (R and 2nd L) sailing about 27 km (17 miles) west from a group of disputed islands, known as Senkaku in Japan and Diaoyu in China, in the East China Sea. The aircraft is a Cessna CJ2 Citation chartered by Japanese media covering the clash - 18 September 2012.

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Published by the  
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## EXECUTIVE SUMMARY

Tensions between China and Japan have ratcheted up in recent years to the point where their territorial dispute over islands in the East China Sea is seen as among the region's most dangerous flashpoints. The prospect of Sino-Japanese conflict over these islands is one that cannot be taken lightly by Australia. Economically, three of our four leading trading partners are located in Northeast Asia, while sea lanes vital to Australian trade run through the waters of the East China Sea. Strategically and politically, two US allies are based in this region and America retains a strong forward military presence there.

This paper starts from the premise that insufficient attention has been given to the potential ramifications for Australia of conflict in the East China Sea, particularly in terms of whether Australia's alliance obligations with the United States could embroil Canberra in a conflict. The paper is motivated in part by Defence Minister Johnston's June 2014 remarks stating that the ANZUS alliance would not commit Australia to a conflict where the US had sent forces to support Japan. While reminiscent of remarks made a decade earlier by then-Foreign Minister Alexander Downer in relation to the prospect of Australian involvement via ANZUS in a Taiwan contingency, Johnston's assessment has not attracted anywhere near the same level of attention and analysis as those made by Downer in August 2004.

The purpose of this paper is to begin to fill this gap in Australia's public and policy debate by analysing the circumstances under which conflict in the East China Sea could occur and the implications thereof for Australia. The paper answers three questions:

1. What does Australia's alliance relationship with the US commit Canberra to in the event of conflict in the East China Sea?
2. What are the risks that Australia faces as a result of ANZUS and other associated international commitments?
3. What can be done to better understand and manage these risks?

Part of the analysis involves the exploration of three hypothetical East China Sea conflict scenarios. They are not the only circumstances under which conflict could develop, just those which this paper judges to be most likely. In the first, an exchange of fire involving Chinese and Japanese air patrols occurs following a decision by Beijing to enforce militarily the Air Defence Identification Zone (ADIZ) which it established in November 2013. The second involves an accidental clash between a Chinese submarine and a US destroyer that takes place during a trilateral military exercise between America, Japan and Australia. The third involves non-state actors and stems from an incident at sea between a commercial cruise ship carrying a large proportion of retired Chinese military officers and the Japanese Coast Guard in waters near the disputed Senkaku/Diaoyu islands.

The paper identifies five facets of escalation that will shape if and how Australia would become drawn into a potential conflict:

1. **Who initiates?** When a conflict is clearly instigated by one side Australia will face a much more stark set of choices. An episode where highly aggressive Chinese behaviour has sparked conflict is, for instance, more likely to elicit Australian involvement than one where the circumstances around the eruption of conflict are murkier.
2. **How does the US respond?** This is the greatest determinant of Australian involvement. An East China Sea conflict is very unlikely to lead to an automatic invocation of ANZUS. But because of the strong links established between Washington and Canberra in recent years as well as the expanded strategic purpose of the alliance, if America expects Australian involvement then it will be very difficult to remain on the sidelines.
3. **Does Japan request assistance?** Australia has also been developing a closer strategic relationship with Japan. Next to the US, Australia would be among the first to whom Tokyo would turn for support in the event of conflict in the East China Sea. This has increased the prospects of Australia being caught up in a possible conflict.

4. **What costs can China impose?** Australia's approach to conflict in the East China Sea will also be shaped by how China responds and what leverage it can exert. As Chinese wealth and power grows, the PRC will have more ways in which it can impose costs on Australia.
5. **How much freedom of manoeuvre will Canberra have?** The involvement of Australian nationals in any contingency, the impact of social media, US alliance expectations, as well as statements and positions that Australian policymakers adopt in the lead up to any crisis will condition how much freedom of manoeuvre Canberra has if and when crisis strikes.

The paper concludes with the following five recommendations for Australia in managing the risk of involvement and preventing conflict escalation:

1. The principal challenge for Australia lies in maintaining maximum freedom of policy manoeuvre in the event conflict erupts in the East China Sea. This means ensuring that Australia does not overcommit too soon, thus taking a position in which it unnecessarily pays a price with Beijing. For Canberra the main piece of policy preparation lies in managing the expectations of the US and Japan in the event of conflict.
2. Australia should work alongside others with a stake in an East China Sea conflict, both the direct protagonists as well as others who could be negatively affected, to develop better mechanisms for managing crises in the East China Sea.
3. A first step to reducing the chances of conflict is to improve communication about exactly where the protagonists stand, what their red lines are and what consequences will follow from crossing those red lines.

Chinese President  
Xi Jinping shakes hands with  
Australian Prime Minister  
Tony Abbott before a meeting at  
the Great Hall of the People in  
Beijing, China - 11 April 2014.

EPA/Parker Song



4. A related measure is to begin to develop a series of mechanisms that can act as diplomatic 'off-ramps' to take the heat out of incidents as they occur and provide disputants with ways out of escalation dilemmas. One such measure may be a strengthening of the recently-signed Code for Unplanned Encounters at Sea (CUES).
5. Australia should work with others in the region to improve the prospects of a resolution process for the East China Sea dispute. One way to advance this longer run goal is to establish of a new second track process dedicated to the East China Sea disputes and linked to the ADMM+ process. Australia could play a leading role in initiating this new process in partnership with other regional stakeholders.



## ACKNOWLEDGEMENTS

The authors are very grateful to the many people who have helped in the production of this paper. In particular we would like to thank Bob Carr for commissioning the project, helping to shape its structure and for his many contributions to the final product.

We would particularly like to thank the following for their vital input and insight: Sam Bateman, John Blaxland, Malcolm Cook, Bates Gill, Allan Gyngell, Linda Jakobson, Amy King, Michael L'Estrange, Brendan O'Connor, James Goldrick, James Reilly, Richard Rigby, Tom Switzer, Hugh White, as well as a number of government officials who spoke to us off the record.

We are also enormously indebted to the fantastic support we receive from the team at ACRI, particularly Daniel Bolger and Elena Collinson, from La Trobe Asia's Diana Heatherich and from the Australian National University's Andrew Carr and Kerrie Hogan.



## ACRONYMS

<b>ABC</b>	Australian Broadcasting Corporation
<b>ADF</b>	Australian Defence Force
<b>ADIZ</b>	Air Defence Identification Zone
<b>ADMM+</b>	ASEAN Defence Ministers' Meeting 'Plus' process
<b>ANZUS</b>	Australia New Zealand and United States Security Treaty
<b>CNOOC</b>	China National Offshore Oil Corporation
<b>CUES</b>	Code for Unplanned Encounters at Sea
<b>EEZ</b>	Exclusive Economic Zone
<b>HADR</b>	Humanitarian Assistance and Disaster Relief
<b>JASDF</b>	Japan's Air Self Defence Force
<b>LDP</b>	Japan's Liberal Democratic Party
<b>NATO</b>	North Atlantic Treaty Organization
<b>MFA</b>	China's Ministry of Foreign Affairs
<b>PKO</b>	Peace Keeping Operations
<b>PLA</b>	People's Liberation Army
<b>PLAAF</b>	People's Liberation Army Air Force
<b>PLAN</b>	People's Liberation Army Navy
<b>QDR</b>	Quadrennial Defense Review
<b>SDF</b>	Japan's Self Defence Force
<b>TSD</b>	Trilateral Strategic Dialogue (Australia, US, Japan)



**CHAPTER 1****WHY THE EAST CHINA SEA MATTERS TO AUSTRALIA**

Tensions in the waters of the East China Sea have risen so markedly in recent years that this body of water is widely referred to as one of East Asia's most dangerous and combustible 'flashpoints.'<sup>1</sup> While the animosities between Beijing and Tokyo which lie at the heart of the antagonism date back more than a century to the first Sino-Japanese war of 1894-1895, the recent spike in tensions can be traced to a collision between a Chinese fishing trawler and a Japanese Coast Guard vessel in September 2010.<sup>2</sup> This clash sparked a diplomatic standoff between Beijing and Tokyo after Japan arrested the captain of the vessel and held him in custody for more than two weeks. The waters of the East China Sea became even choppiier in September 2012 when Tokyo purchased three of the disputed Diaoyu/Senkaku islands from their private Japanese owner. Tokyo claimed this as a stabilizing move designed to head off an attempt by the nationalist mayor of Tokyo, Shintaro Ishihara, from using municipal funds to purchase the islands. Beijing quickly became irate over what it perceived to be a brazen attempt on Tokyo's part to change the status quo in the East China Sea, and contrary to a 1978 agreement between the two sides to shelve the dispute with a view to future resolution.<sup>3</sup> The nationalization of the disputed islands provoked large-scale anti-Japanese protests in more than 100 Chinese cities.<sup>4</sup>

*“The East China Sea disputes have since taken on a worrying military dimension.”*

The East China Sea disputes have since taken on a worrying military dimension. In late 2012, for instance, China penetrated Japanese airspace over the disputed islands for the first time since 1958, prompting Tokyo to scramble F-15 fighters in response. Japanese scrambles against Chinese (and Russian) fighters have risen to record levels during the period since. In July 2014, the Japanese Defence Ministry announced that it had undertaken 232 scrambles against Chinese planes during the first half of the year, up 51 percent from 2013 levels.<sup>5</sup> During the first half of 2014 there have also been reports of Chinese and Japanese military planes flying dangerously close (i.e. within 30 metres) to each other. Similarly, in early 2013 vessels



Chinese surveillance ship, rear centre, sails near Uotsuri island in Japanese, or Diaoyu Dao in Chinese, the biggest island in the disputed Senkaku Islands, or Diaoyu Islands. Japan - July 1 2013.

AP Photo/Kyodo News

from the Chinese Navy allegedly locked their 'fire control radar' onto a Japanese destroyer and ship-based helicopter in two separate incidents. Similar incidents reportedly occurred again in mid-2014. The locking of fire control radar is a particularly provocative act in that it is the step which immediately precedes opening fire on another vessel.<sup>6</sup>

Incidents such as these, and the broader escalation of tensions in the East China Sea, have prompted policymakers and pundits alike to talk up the prospects for Sino-Japanese conflict over the disputed Senkaku/Diaoyu islands. In early 2014, a US Navy Intelligence official went on record suggesting that China is preparing for a 'short, sharp war' intended to destroy Japanese forces in the East China Sea so as to seize the Senkaku/Diaoyu islands.<sup>7</sup> Australian scholar Hugh White has argued that war over the disputed islands is a very real prospect and that such a conflict could easily become protracted as it would be very difficult to contain.<sup>8</sup> James Holmes of the US Naval War College has also argued that war between China and Japan could start in the East China Sea and spiral into a much larger conflagration. As Holmes explains, that is because 'this competition is about more than islets and ADIZs. Nothing less than the nature of Asian order is at stake.'<sup>9</sup>

The prospect of conflict in the East China Sea should be deeply worrying from Canberra's perspective. China and Japan are currently Australia's leading two-way trading partners, meaning that any clash between them could prove economically destabilizing while major conflict would have a disastrous impact on Australian trade. South Korea, Australia's fourth largest two-way trading partner, is also embroiled in the East China Sea disputes.<sup>10</sup> This is not only due to its geographic proximity to China and Japan, but also because Seoul contests territory in the East China Sea with both Beijing and Tokyo. South Korea and Japan remain in disagreement over islands which Seoul calls Dokdo and which Tokyo refers to as Takeshima. Similarly, South Korea claims the leodo reef, which China also contests and refers to as the Suyan Reef. To be sure, these disputes are not as likely to erupt into all out hostilities as those over the Senkaku/Diaoyu islands. However, they can still lead to international tensions, as occurred in November 2013 when Beijing controversially announced a new Air Defence Identification Zone over the East China Sea - an

**East China Sea.**

Source: U.S. Department of State



initiative which angered Seoul because it overlapped with South Korea's own ADIZ and sat above the disputed leodo/Suyan Reef.<sup>11</sup>

Vital sea lanes also run through the East China Sea, with potential implications for Australia's economic security. In recent years, the fact that approximately 60 percent of Australian trade moves through the waters of the South China Sea has been used to highlight the economic and strategic significance of this body of water.<sup>12</sup>

A case can be made that the East China Sea is similarly important to Australia's economic wellbeing. Australian shipping to Northern China and to South Korea, for instance, transits through the East China Sea. Perhaps even more importantly, Australia's leading East Asian trading partners rely heavily on the East China Sea. The transpacific trade of both China and South Korea passes through these waters, while Japanese shipping relies upon them to reach major Chinese markets. As Michael Auslin of the American Enterprise Institute observes: 'From the major ports of Inchon and Pusan in South Korea, as well as from Fuzhou, Ningbo, Qingdao, Shanghai and Wenzhou in China, access to the Pacific Ocean passes through Japan's Ryukyu island chain and the Miyako and Osumi Straits in particular.'<sup>13</sup>

Yet the strategic significance of the East China Sea extends beyond its economic importance to Australia. This was made clear in April 2014, when US President Barack Obama stated, while on route to Asia, that the Senkaku/Diaoyu islands were covered under the US-Japan security treaty.<sup>14</sup> While senior US officials had conveyed similar commitments previously, the fact that a sitting President made the pledge gave it added weight.

Very little attention has thus far been given to whether Australia's longstanding alliance with the United States - or, for that matter, Canberra's burgeoning relationship with Tokyo - might potentially entangle Australia in the East China Sea imbroglio. This contrasts sharply with the, at times robust, debates which occurred in years gone by over whether the ANZUS alliance would apply in the case of a Taiwan Strait contingency. For example, speaking in 1999 at the Australian-American Leadership Dialogue - only two years before he was appointed as Deputy Secretary of State in the George W. Bush

***“the strategic significance of the East China Sea extends beyond its economic importance to Australia.”***

U.S. Secretary of State  
John Kerry poses with  
Australian Foreign Minister  
Julie Bishop, and Japanese  
Foreign Minister Fumio Kishida  
before the Trilateral Security  
Dialogue in Bali, Indonesia -  
4 October 2013.

William Ng/State Department



administration - Richard Armitage stated that 'Australia would have to choose between siding with China in its dispute over Taiwanese sovereignty or siding with America as Taiwan's protector.'<sup>15</sup> Only five years later, however, Australian Foreign Minister Alexander Downer stated during a doorstep interview while in Beijing that the ANZUS Treaty would not necessarily apply in the case of a Taiwan contingency. Downer's remarks were widely criticized in Australia for undermining the alliance with the United States and for raising the prospects for conflict across the Taiwan Strait.<sup>16</sup> They even elicited a public rebuke from Washington stating that Australia's ANZUS obligations were clear.<sup>17</sup> While the Howard government was swift in distancing itself from Downer's remarks, these continued to engender much debate back home in Australia as to whether they marked a genuine recalibration in foreign policy or merely a mis-statement on the part of the Foreign Minister.

This is not to suggest that the current Abbott government has not taken a strong position on the East China Sea.<sup>18</sup> At a September 2013 meeting of the Trilateral Strategic Dialogue (TSD), for instance, Canberra joined Tokyo and Washington in jointly expressing their opposition to 'the use of coercion to change the status quo in the East China Sea.' Foreign Minister Julie Bishop repeated this same formulation in November 2013 - when Canberra also summoned the Chinese Ambassador to Australia, Ma Zhaoxu - to express Australian concerns regarding Beijing's declaration of a new ADIZ



over the East China Sea. While Bishop subsequently received a public dressing down from her Chinese counterpart, Wang Yi, during a visit to Beijing during the same month, Canberra has remained robust in its approach towards the East China Sea. Bishop outlined the logic for doing so at the time of Japanese Prime Minister Shinzo Abe's historic July 2014 visit to Australia, reportedly saying to Fairfax correspondent John Garnaut that 'China does not respect weakness....So, when something affects our national interest then we should make it very clear about where we stand.'<sup>19</sup>

Yet such comments contrast strikingly with those made by Defence Minister David Johnston in a June 2014 interview on the ABC network's *Lateline* show, during which he stated his belief that the ANZUS alliance would not commit Australia to a conflict where the US had sent forces to support its Japanese ally in a confrontation with China over the disputed Senkaku/Diaoyu islands.<sup>20</sup> While reminiscent of Downer's 2004 remarks, Johnston's statement did not create anywhere near the same level of controversy. Tom Switzer of the US Studies Centre at the University of Sydney observes that no one, 'including the Prime Minister', has clarified Johnston's comments.<sup>21</sup> The Australian Labor Party's Michael Danby was seemingly a voice in the wilderness when criticising Johnston for 'pulling the rug from under the feet of our mutual defence obligations to the US' by signaling to China 'a deep reticence within the highest levels of the current Australian government over whether we would come to America's aid in some future conflict.'<sup>22</sup>

In fairness to Minister Johnston, he did go on to explain during the *Lateline* interview that 'we would need to know all of the nuances of each of the circumstances and the situation more broadly before a decision was made.' While one would anticipate that such circumstances and situations are contemplated on a regular basis within parts of the Australian public service, there has been a noticeable lack of attention given to them in the broader Australian public debate. Here attention has tended to focus at the higher strategic level and has often been cast in terms of the stark future choices that Canberra may or may not be forced to make at an almost abstract level of analysis, rather than upon the precise 'real world' circumstances under which such choices may present themselves

***"it is disconcertingly plausible that the East China Sea dispute could escalate into a conflict involving Japan, the US and China."***

and Australia's options in the event they do. Yet it is disconcertingly plausible that the East China Sea dispute could escalate into conflict involving Japan, the US and China. Australia's alliance relationship with the US and its growing security links to Japan, which have been significantly enhanced in 2014, mean that in the event of some kind of contingency it will face a very challenging set of dilemmas given its economic links to China.

The purpose of this paper is to explore these dilemmas and to make a contribution to public debate about the risks and opportunities opened up by Australia's relations with the US, China and Japan. It does so by analysing the circumstances of potential conflict in the East China Sea so as to answer the following three questions:

1. What does Australia's alliance with the US commit it to in the event of conflict in the East China Sea?
2. What are the risks Australia faces as a result of these commitments?
3. What can be done to better understand and manage these risks?

The paper begins by setting out the strategic importance of the East China Sea to Australia. It then examines the legal, political and strategic qualities of ANZUS and Australia's broader relationship with the US. The paper then sets out three hypothetical East China Sea conflict scenarios where Australia's alliance and other international commitments may come into play. The scenarios are used to illustrate the political and strategic trip wires Australia faces in the East China Sea dispute. The subsequent chapter considers the differing dilemmas that Australia faces depending on the particular circumstances of putative conflict. The paper concludes by highlighting the factors which risk escalation and internationalization of conflict in the East China Sea and provides a set of policy recommendations to mitigate risk and manage regional tensions.



## CHAPTER 2

# ANZUS AND AUSTRALIA'S COMMITMENTS

The strategic relationship between the US and Australia rests on the legal foundations of the ANZUS treaty. Signed in 1951, the treaty was part of the raft of legal arrangements that established Asia's post-war order including the formal peace treaty signed by the 48 allied powers and Japan as well as the US-Japan Security Treaty. The document itself, and the broader goals which it sought to achieve, were a product of those times. During the Second World War Australia perceived that its longer term security interests would be best served by developing a closer relationship with the United States. After the war, Australia turned to Washington and sought a formal and explicit security guarantee. This was motivated by the sense that the peace was fragile and its region was one of risk and danger. Foremost in mind were the fears of a resurgence of Japanese militarism and the expansion of communism across post-colonial Asia. More particularly, Australia recognized that its erstwhile protector, the UK, was no longer in a position to provide the kinds of protections and guarantees Australia felt that it required. Whatever spare capacity the UK had was committed to the newly created European security arrangements centred around NATO.

**John Foster Dulles, the US secretary of state, signs the ANZUS treaty in San Francisco in 1951, surrounded by US politicians and diplomats.**

Harry S. Truman Library and Museum





US President Barack Obama shakes hands with Prime Minister Tony Abbott of Australia in the Oval Office the White House in Washington DC - 12 June 2014.

EPA/Ron Sachs

But Australia did not only seek security and comfort from the new alliance with America, it also sought influence. The experiences of the two world wars, in which Australia had not been able to have any impact on strategic decisions, had left its mark. Australian policy makers wanted the opportunity, however slight it may be, to influence the region's pre-eminent power. Without a formal treaty and the ongoing policy coordination that it entailed Australia would have almost no chance to shape Washington's choices.

During the negotiations to finalize the text, Australia made plain that it wanted an explicit commitment to collective security principles of the kind found in the North Atlantic Treaty. Article V of NATO's foundational document requires all members to treat an armed attack on one as an attack on all and to act to restore peace and security.<sup>23</sup> Yet Washington was uneasy about this and resisted Australian efforts to elicit such a guarantee.<sup>24</sup> None of America's bilateral agreements in Asia have a commitment that is as strong as NATO's because the US did not want to establish a series of tripwires across the Pacific. It wanted to be able to dictate the terms of its regional engagement. It was also put to Australian negotiators that such terms would make the treaty unlikely to be approved by the US Senate.<sup>25</sup>

***“None of America’s bilateral agreements in Asia have a commitment that is as strong as NATO’s because the US did not want to establish a series of tripwires across the Pacific.”***

Australian Defence Minister David Johnston, Australian Foreign Minister Julie Bishop, U.S. Secretary of State John Kerry and U.S. Secretary of Defence Chuck Hagel speak to the media during a press conference at the conclusion of the annual Australia-US Ministerial Consultations (AUSMIN) talks, at Admiralty House in Sydney - 12 August 2014.

AP Photo/Dan Himbrechts



As a result the text of the ANZUS treaty is deliberately ambiguous. The security guarantee is conveyed in Article IV:

Each Party recognizes that an armed attack in the Pacific Area on any of the Parties would be dangerous to its own peace and safety and declares that it would act to meet the common danger in accordance with its constitutional processes.<sup>26</sup>

Each side commits to act in the event of an attack on the other. Precisely what 'act' means was left open to interpretation but it is most emphatically a lesser commitment than NATO members undertake. Beyond this operative aspect of the treaty, Article III sets out a requirement that the signatories consult together if their 'territorial integrity, political independence or security' is threatened. Here, as in Article IV, the treaty is seen in narrow terms, that is relating specifically to the territory and standing of the three states and not to broader interests they may have or more nebulous goals such as regional security. The treaty does, however, include a number of references to a broader regional purpose. The preamble positions the treaty explicitly as an exercise in collective defence for the purposes of broader regional security and states that it is intended to express a sense of strategic unity among the parties 'so that no aggressor could be under the illusion that any of them stand alone in the Pacific

Area.<sup>27</sup> Article VIII also gives this regional function an institutional form noting that the council of ministers established in Article VII: 'is authorized to maintain a consultative relationship with States, Regional Organizations, Associations of States or other authorities in the Pacific Area in a position to further the purposes of this Treaty and to contribute to the security of that Area.'<sup>28</sup> ANZUS from the outset was intended to be part of a larger regional framework, but the explicit commitments that the signatories give to one another are framed in deliberately broad and ambiguous terms.

In contrast to NATO, in which the political and strategic commitment has a strong formal quality, ANZUS is written in such a way that the strength of the security agreement is a function of its political attributes rather than its textual qualities. Indeed a clear distinction should be made between the formal legal obligations of the document and the much broader political canvass of the relationship. The agreement is the legal foundation for the alliance, but it involves a great deal more.

## More than a treaty

Alliances are arrangements that states enter into to increase their chances of advancing their respective security interests and are normally organized around threats.<sup>29</sup> States provide one another with security guarantees to improve their collective prospects in the face of a specific challenge. Perhaps the archetypal alliance, NATO was formed to see off the threat of Soviet conventional superiority in Western Europe.

Many alliances have treaties that spell out the nature of the participants' respective commitments. This ensures that the parties understand the obligations they take on when joining the alliance. It also helps to send signals to would be antagonists about just what it is that they face. But not all alliances entail such written communication. One of the closest strategic relationships in the contemporary world, that between the United States and Israel, has no formal agreement setting out its purpose or respective commitments. Yet few doubt the resolve of both parties with regard the other's interests. In most cases the substance of an alliance relationship is always more than that which is included in the text of treaties.



The formal terms of treaties should not be mistaken as encompassing a security relationship's totality. This is especially so if their terms are vague or the commitments ambiguous as in the case of ANZUS. Alliances are fundamentally political arrangements whose standing at any given time is a function of the mutual expectations and commitments of their members. What these entail and their relative strength vary over time as they are subjected to shifting domestic political and geostrategic pressures.

What are the mutual expectations and commitments of the US-Australia alliance at present? The treaty clearly dictates that both will take action to come to the aid of the other if their core interests are under attack. ANZUS arrangements have only been formally invoked once since 1951 and that was in response to the terrorist attacks of September 2001. But beyond this basic and well understood promise of Article IV, the Australia-US relationship involves a range of other commitments and expectations which are shaped by four main forces. These are: communication between the parties, past behaviour, basic capacity and shared interests and values.

Much of the communication that is undertaken between Canberra and Washington goes on behind closed doors and scholars will have to wait for the unlocking of the archives to discover what exactly was said. But public remarks should be, and indeed are intended to be read for what they say about not only the matter at hand but about the nature and extent of the broader commitments each makes to the other. Perhaps the most notable feature of recent remarks about the alliance by senior political figures is the extent to which it is presented as something that contributes substantively to regional stability. In AUSMIN declarations, President Obama's famous 'pivot' speech to the Australian Parliament in 2011, and in joint press conferences, the alliance is described as something which serves not only the narrow interests of the two parties, but which underpins the overarching peace and stability of the region. In the 2013 AUSMIN communiqué, the alliance is described as 'an anchor of peace and stability in the Asia-Pacific region and beyond.'<sup>30</sup> While the 2014 version 'reaffirmed the Alliance's important contribution to the peace, security, and prosperity of the Asia Pacific and Indian Ocean regions as well as its enduring value in addressing contemporary and evolving challenges



**Trooper Brendan Higgs keeps a lookout as the Australian patrol leaves Camp Smitty in Southern Iraq - Samawah - 26 May 2005.**

AAP Image/Alan Porritt

in the regions and throughout the world.<sup>31</sup> It is reasonable to infer that this is more than rhetoric deployed to burnish public statements and that it reflects an underlying belief in the role and purpose of the alliance arrangements. Australia and the US will work to manage regional peace and security and will, by implication, react when challenges to that emerge. Precisely what 'react' means is, of course, not clear.

Communication is by no means the only way of determining levels of expectation and commitment. While past performance is no guarantee of future action, it nonetheless provides some sense of the likelihood of activity. Australia has participated in every military contingency in which the US has sought its assistance since World War II. In almost every case the decision to participate was driven in the main by alliance considerations. Beyond the rhetoric of shared values and interests driving Australian involvement in Iraq and Afghanistan, the prime calculus shaping these commitments was the belief that maintenance of the alliance required participation.<sup>32</sup> To put it bluntly, Australian decision-makers have seen involvement in conflict as a premium that needs to be paid for the security guarantee and other benefits Australia accrues from its relationship with the US. For Australia such an activist past has been vital to developing the strong and close relationship that exists today. But its implications for

future contingencies is mixed. On the one hand, Australian alliance managers could use its strong past contribution as a way of passing the buck in the future. Australia has paid its dues, this argument might go, its reliability and commitment to the alliance is assured so it will be more able to avoid entrapment. It is easy to see why such a tactic may not be appealing. As with all forms of insurance, alliance arrangements require regular and up to date payment of premiums.

The flip side of the strength of past commitments is that it makes reducing or avoiding premium payments much harder. This is particularly true if contingencies were in Australia's immediate region. Australia's history of strong commitment provides an expectation in Washington of a continuation of that level of premium. When this is added to how much Australia receives from its alliance with Washington, in terms of intelligence, defence technology and political access,<sup>33</sup> it is reasonable to think that Washington has relatively high levels of expectation of Australian contributions to any military contingencies in the region.

***“it is reasonable to think that Washington has relatively high levels of expectation of Australian contributions to any military contingencies in the region.”***

Expectations are also built on perceptions of shared interests. Although alliances have historically been precipitated by military threats, their ongoing existence reflects not just concerns about immediate ways in which the parties are threatened but also by a sense of interests which they share. Understanding their importance and evolution over time provides a crucial sense of the underlying life of the alliance and what expectations partners have of one another. For Australia and the US, the shared interests in the alliance operate at three levels. The first relates to the core understanding of mutual defence. Each sees the other's survival and integrity as sufficiently important to make a treaty commitment to that end. The second, relates to a shared interest in the stability and security of what was in 1951 referred to as the Pacific but is now referred to as the Asia-Pacific.<sup>34</sup> Here one can distinguish between specific regional interests, such as ensuring the sea lines of communication are kept open, and broader concerns such as maintaining the current regional order. While the third level relates to the global context in which the alliance is now thought to operate. Where in the past the alliance was conceived in a relatively narrow geographic context, in both its operational and strategic purposes the US and Australia conceive of their shared interests and threats

as having a global purview. The three dimensions of these interests and the extent to which these have taken on a growing importance in both the rhetoric of the alliance as well as its planning and operations mean that the expectations of alliance commitment have increased for Australia over the past decade or so. The problem with questions of shared interest and in particular how they are perceived lies in their inherent imprecision. Just how strong these shared interests are is necessarily opaque.

In any alliance the question of basic capability plays a crucial role in shaping mutual expectations. This is especially the case in alliances between large and relatively smaller powers. Just how much you can be expected to contribute will be a function of what it is you are capable of contributing. The question of sharing capabilities is one of the most difficult aspects of alliance management as there is always a strong temptation for the lesser power to piggyback on the larger power's military might. American alliance managers have long felt that European states were not contributing to the military basis of NATO to the extent to which they could. Even in Asia there has been a feeling that states were doing as little as they could to ensure US commitment. This sentiment became publicly evident in the wake of the 2007-08 financial crisis. A fiscally challenged US was concerned that its allies, especially those doing well out of the China boom, were not pulling their weight.<sup>35</sup> Thus for any state involved in an alliance defence acquisition programs are fundamentally bound up in the politics of alliance management.

In the 2009 and 2013 Defence White Papers, the Australian government signalled a desire to increase the ADF's capacity to project force beyond Australia's immediate territories.<sup>36</sup> Here the acquisition of large attack submarines, air-warfare destroyers and F-35s is driven in part by the need to service alliance commitments in the region. Clearly, Australia is not now nor is it going to be a major contributor to any significant conflict in the region. Nonetheless, it has the ability and resources to make 'niche' contributions to regional contingencies. Australia's capability to participate in alliance activity may not be as great as some would like, but it is already able to do a good deal and is planning to do more in the future. This sends very clear signals to Washington and

***“A fiscally challenged US was concerned that its allies, especially those doing well out of the China boom, were not pulling their weight.”***

US President George Bush  
and Prime Minister John Howard  
inspect an honour guard at the  
White House - 10 September 2001.

AAP Image/James Grubel



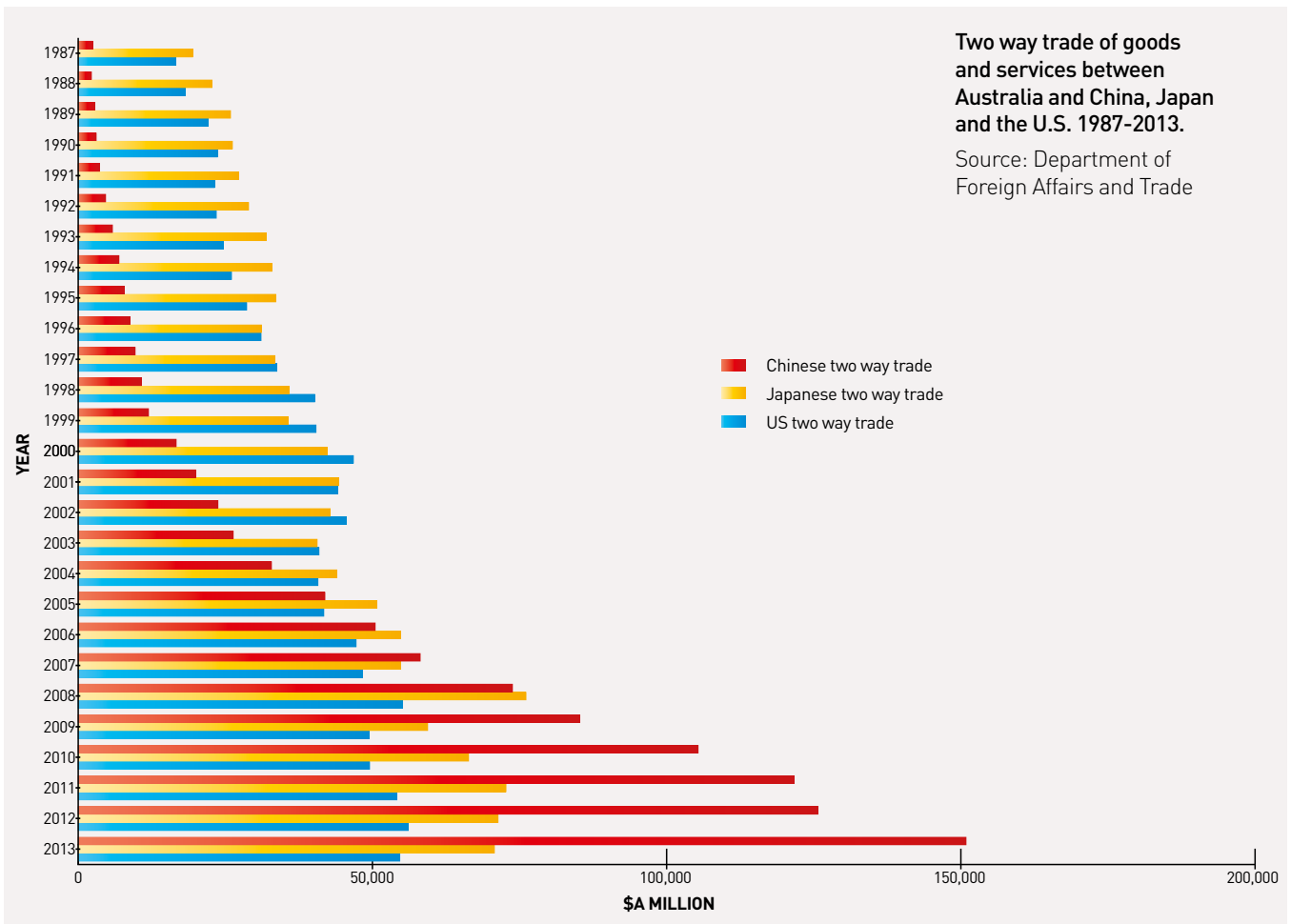
beyond about the alliance relationship and Australia's expectations and commitments.

Both in the formal, legal qualities of the treaty which underpins the relationship, and in the substantive actions, ideas and commitments that animate the alliance, Australia has made clear over a long period of time the priority it attaches to the United States. Over the past fifteen years or so, this relationship has been tightened and its function expanded to support regional and global security interests. In so doing Australia has not only ensured that the US is more likely to respond to security challenges by which Australia feels threatened, but it has increased the level of expectation on Australia to contribute to alliance commitments. Precisely what that entails will depend on the circumstances in question but one must be very clear that the substance of the strategic link to the US involves a good deal more than a narrow textual interpretation of a treaty signed in 1951.

***“Australia has made clear over a long period of time the priority it attaches to the United States.”***

## A Complex Regional Context

For Australian political leaders, changing regional circumstances have made calculations about alliance commitments more complex than in the past. The biggest and most contentious relates to



Australia's economic relationship with China. But to this one can also add Australia's growing defence and security links to Japan.

### China's Transformation

The economic development of China that began with the Four Modernizations reform program in the late 1970s has transformed China. The broad trends are well known: China has gone from being a closed economy that could barely feed its own population to the world's largest producer of steel, concrete, and manufactured goods, with the world's second largest GDP. This has transformed the basic structure of Asia's economy; it has begun to draw the states and societies of the region into a more coherent regional economic order and has had remarkable consequences for the world.



China's modernization has had a profound effect on the Australian economy. The rapid industrialization and urbanization of Chinese society has created huge demand for Australian commodities such as iron ore and coal. As a result of this, since 2007 China has been Australia's number one trade partner. In the financial year 2012-13, China was the destination for nearly one-third of Australian exports worth about \$78 billion. To put this transformation in historical perspective, in 1972, trade was worth a little over USD 86 million.<sup>37</sup> Even with the recent slowdown in the Chinese economy, trade has continued to grow. China is also an important source of investment. Australia has been the top destination for FDI sourced from the PRC

**Cranes unload Australian iron ore from a ship at a port in Rizhao in east China's Shandong province.**

AP Photo



since the mid-2000s.<sup>38</sup> Investment in Australia has boomed on the back of the Chinese government's 'Going Global' policy initiated in the mid-2000s. Driven by a range of factors, from resource security to a desire to learn to do business in a developed economy, Chinese investment is overwhelmingly focused in the primary commodities sector with more than 90% of it in the mining, oil and gas sectors.<sup>39</sup> Chinese investment in Australia is expected to grow significantly in the coming years.

Some believe that the importance of China to the Australian economy has meant that the basic assumptions that have informed Australian



strategic policy need to be rethought.<sup>40</sup> In the past, Australian economic and strategic interests have had a happy convergence. While Britain was Australia's preeminent economic partner, through roughly until the Second World War, it was also its paramount strategic guarantor. The move to establish the alliance with the US was in the first instance a calculation that America would be the Pacific's most important military force but it also continued the trend whereby the economic and strategic were in harmony. When Japan became the country's largest export destination in 1967 and its top trade partner in 1971, its own partnership with Washington ensured that the kinds of strategic uncertainty that this might have created did not eventuate. Now, Australia has a great deal at stake in the incipient rivalry between the US and China.

### The Tokyo Connection

On the back of collaboration in post invasion Iraq and the 2004 Boxing Day Tsunami and propelled by a shared sense of the need for America's allies to begin to do more with one another, Australia and Japan have begun to develop a close security relationship. This has involved both formal elements, with four agreements relating to security cooperation signed since 2007, as well as a wide range



**Visiting Australian Prime Minister John Howard is welcomed by Japanese Prime Minister Shinzo Abe prior to their talks at the Prime Minister's official residence in Tokyo - 13 March 2007.**

AFP Photo/AFP Pool/  
Toshifumi Kitamura

of interactions including regular bilateral meetings of ministers, ad hoc military exercises down to officer exchanges and defence college participation.

The formal elements reflect most clearly the effort by both governments to do more and to be seen to be doing more together. The 2007 signing of the Joint Security Declaration was considered a watershed moment in the bilateral relationship. It was the first agreement Japan had signed on security matters with a partner other than the United States since the second world war. The agreement essentially formalised a range of areas in which the two had worked in the past and stated their intent to regularize cooperation on specific areas of security policy in the region and beyond.<sup>41</sup> The agreement's real weight was the signal it sent rather than the collaboration it created.<sup>42</sup> In 2010 the two signed an agreement establishing formal mechanisms facilitating concrete operational interaction between the SDF and the ADF. This turned the diplomatic statement of intent of 2007 into practical action, albeit in relatively constrained situations.<sup>43</sup> This was followed by the conclusion of an information security agreement in 2012 which provided a legal framework for the sharing of secret information and its security.<sup>44</sup> This confirmed what many had thought after the 2007 agreement, that Australia and Japan were in the process of exchanging intelligence and other classified information to advance their common interests. Most recently, during Prime Minister Shinzo Abe's 2014 visit to Australia, Canberra and Tokyo signed the Defence and Technology Transfer Agreement.<sup>45</sup> Beyond further signalling the linkages between the two defence and security communities it was also intended to help manage the legal and political sensitivities around Japan's defence industries which, while advanced and competitive, have been fenced off from international trade due to domestic political factors.

When put alongside the active collaboration of bilateral ministerial efforts, military exercises, including the US-Japan-Australia air force drills out of Guam, and a host of other military to military exercises it is plain that Australia and Japan have been developing links that are both symbolic and substantive. The aim is to develop processes and mechanisms in which the two can do more, particularly in Peacekeeping Operations (PKOs) and Humanitarian Assistance and

Disaster Relief (HADR) activity, as well as to service their alliance commitments. But the symbolic aspect should not be downplayed. Australia and Japan have sent consistent and strong signals that they see their regional and indeed global security interests as very closely aligned. This steady and bipartisan effort has been ratcheted up in intensity since the election of Prime Minister Abbott in Australia. Clearly the two conservative nationalist leaders have a good rapport and their instincts about regional security concerns are very similar. In particular, the language and activities of the Australian government, from Abbott's declaration that Japan was Australia's closest friend in Asia through to its backing of Japan's position in relation to China's East China Sea ADIZ, Australia has very publically drawn its interests much closer to Japan's. The choice of language used by Foreign Minister Bishop's press release in this latter example was telling: 'Australia has made clear its opposition to any coercive or unilateral actions to change the status quo in the East China Sea.'<sup>46</sup> The point is that the dispute centres on just what the status quo actually entails. China argues that Japan unjustly acquired administrative control of the islands in the 1970s and in nationalising them in 2012 it disrupted the status quo. The language chosen by the Foreign Minister involves Australia taking a position supportive of Japan.

Canberra's strengthening relations with Tokyo are pertinent to this paper's discussion of the East China Sea in two ways. First, Australia has positioned itself as supporting Japan's view that anything that China does in relation to the islands is upsetting the status quo and thus implying that China's actions are aggressive and destabilizing. This builds expectations of support from Tokyo and can be seen by Beijing as Australia backing Japan's position. Second, Australia's actions can be perceived to suggest a shared interest with Japan in the standing of the islands and that it has a stake in the dispute itself. Thus when thinking about the risks of entanglement in possible conflict scenarios in the East China Sea, the risks and expectations of activity are not only going to emanate from Washington; the Tokyo connection adds a further layer of complexity to Canberra's considerations.

***“Australia has positioned itself as supporting Japan’s view that anything that China does in relation to the islands is upsetting the status quo.”***

## CHAPTER 3

# CONFLICT SCENARIOS

### Introductory Remarks

In the first part of the Cold War the Asian region was notable for being home to that contest's major wars. High intensity warfare first on the Korean Peninsula then in Indochina made East Asia the world's bloodiest region. Yet even though conflict declined dramatically after the Sino-American rapprochement of the mid-1970s, the region has remained fraught with risk. After the collapse of the Soviet Union, the places where great power conflict seemed likeliest were in East Asia. The geopolitical standoff on the Korean peninsula and Taiwan's defiance of Beijing's claims were the two most prominent tripwires that might bring the US and China to blows. For reasons outlined in the opening chapter of this paper, to this list must today be added the risk of conflict emanating from a clash in the East China Sea. Indeed the risk of this occurring is arguably greater now than the two long running regional fault lines in part because the novelty of heightened Sino-Japanese rivalry means that escalation control is less well established, if at all, communication lines in case of emergency are poor and expectations are uncertain.

**A B-52 Stratofortress leads a formation of aircraft.**

Photo: Thinkstock.



In this section, the paper explores three scenarios in which conflict in the East China Sea might develop. The scenarios are designed to explore the vectors of potential conflict and they do this by focusing on differing trigger points and exploring variable conflict dynamics. The scenarios occur over the short to medium term and the narratives end at the initial point of escalation. While the broader aim of the project is to think through how conflict may emerge in East Asia so as to take steps to try to make the plausible less so, the specific goal is to identify the risks Australia faces in being caught up in escalating conflict so that Canberra can better prepare to mitigate and manage these risks. These scenarios have been developed in such a way that Australia has to make meaningful decisions in response to the conflict and the narrative has stopped short of a dramatic escalation into high-intensity conflict.

## **SCENARIO 1. ADIZ ENFORCEMENT: CHINA MAKES GOOD ON ITS WORD**

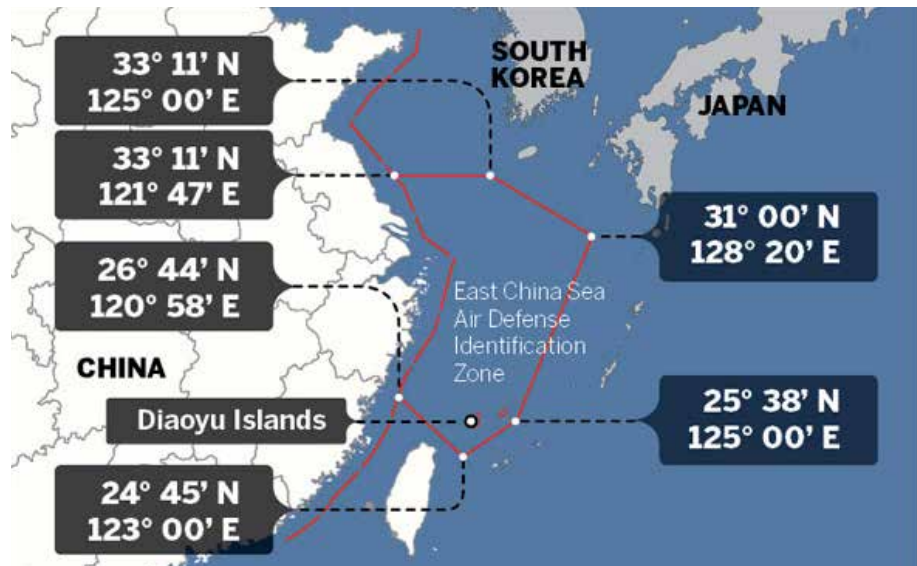
### **Background**

Beijing's new East China Sea ADIZ is contiguous to the Chinese coast line and overlaps with parts of ADIZs belonging to Japan and South Korea.<sup>47</sup> The Chinese government's requirements for aircraft flying in the zone were elaborated in a statement subsequent to the initial ADIZ announcement. All aircraft entering the zone are required to lodge flight plans with either the Chinese Ministry of Foreign Affairs (MFA) or Civil Aviation Authority and adhere to instructions issued by the government. The government asserts that its armed forces will adopt 'defensive emergency measures' in response to non-compliance with the rules.<sup>48</sup>

Beijing's November 2013 ADIZ announcement was met with widespread concern in the region, with the US and its allies criticizing China for altering the status quo. The Australian response was notably robust, with Canberra formally summoning the Chinese Ambassador to Australia, Ma Zhaoxu, to express its concerns.<sup>49</sup> In immediate response the US sent two unarmed B52 bombers through

### China Air Defence Identification Zone.

Source: Ministry of National Defense/China Daily



the zone followed by aircraft from Japan's Air Self Defence force on 25 November.<sup>50</sup> After not responding to the B52s, China scrambled jets in reaction to Japanese aircraft that entered the zone several days later. This came against the backdrop of threats from Tokyo, made in January 2013, that it may 'fire warning shots and take other necessary measures to keep foreign aircraft from violating its airspace.'<sup>51</sup>

Nonetheless, as the months have worn on a pattern of sorts has emerged as to how others will respond to China's new ADIZ. Civilian aircraft have generally followed the rules as required, although Japanese and South Korean aircraft have only done so when China is their final destination. Since 2014, PLAAF aircraft have scrambled irregularly in response to US and Japanese reconnaissance flights in the ADIZ. As a result of this the US, Japan and South Korea have come to the belief that the zone is, militarily, an ambit claim and they have not altered their attitudes or approach to military over-flight.

During its first year or so of existence, Chinese opinion, both official and non-official, has been fairly consistent focusing on three main points: (1) articulating the view that the ADIZ is in line with international practice; (2) that Japan is the principal destabilising force in the region, and (3) deliberately not clarifying what the threatened 'defensive emergency measures' would actually entail.



## The Scenario

By early 2015, some divisions in official Chinese opinion have started to become evident. While the MFA maintains the existing approach, the Ministry of National Defence and hawkish commentators from PLA-affiliated think tanks and the National Defence University have begun to diverge from this position, articulating the need for a stronger enforcement of the ADIZ rules. Some of the more assertive have said that the ADIZ rules should be revised to sharpen the retaliatory threat. An article published in the *Global Times* newspaper by a professor at the National Defense University calls upon Beijing to be more 'creative' in its diplomacy and to establish a new ADIZ over at least part of the South China Sea, with a view to expanding this zone as time passes and Chinese military capabilities further improve.



**Chinese Su-27.**

AP Photo/Eugene Hoshiko

Some observers have linked these developments to signs of discontent toward the Chinese President from the military. They believe that there is growing frustration among some in the PLA about the President's pragmatism and patience toward Japan and the US. In particular the failure to enforce the ADIZ in sufficiently robust terms is thought to be embarrassing if not humiliating. Added to this, the President's anti-corruption campaign has alienated many in the military and PLA



watchers believe that a right wing anti-President block is beginning to form among some senior PLA officials.

In early August 2015 a 'near miss' occurs in China's new ADIZ after two Chinese Su-27 planes reportedly fly within 5 metres of a Japanese P-3 surveillance flight. Japanese fighters escorting the P-3 flight fire warning shots in a successful attempt to ward off the Chinese Su-27s.

The immediate fall out of the incident is a precipitous decline in Sino-Japanese relations. The Japanese Prime Minister denounces China's actions in a live national address on television. During these remarks he asserts that the Japanese aircraft were within Japan's airspace and that the Chinese fighters had, in fact, violated 'Japanese sovereignty'.

In the address, the Prime Minister also claims that the Chinese aircraft had behaved dangerously and unpredictably and that this 'near miss' was entirely China's fault. It is a metaphor, in his terms, for 'Beijing's flagrant disregard of the rule of law.' He goes on to claim China's actions are part of a carefully calibrated plot designed to challenge Japanese sovereignty over its 'historical territories'.

The Chinese government response is slightly more muted with Foreign Ministry spokesmen voicing governmental criticism of Japan. The MFA claims that the Japanese aircraft had been in China's ADIZ, that it had not complied with government instructions and that its aircraft's actions had been prompted by evasive manoeuvres by the JASDF aircraft.

In the days and weeks that follow the incident, officials publically continue to blame the other side. In China, criticism is ratcheted up with references to World War II atrocities frequently aired by senior officials. Observers believe that the accident has strengthened the hand of those within the PLA that want a more assertive stand taken in relation to the ADIZ.

Within Japan the incident solidifies political consensus around the need to modernise militarily and to further enhance Japan's capacity to respond to contingencies in its far-flung territories. The Prime

Minister visits Yasukuni Shrine on 15 August. Following the historical increase in defence spending of 2014, the Ministry of Defence details a further expansion of spending in 2015 with a widening out of the number of F-35s and P-3 Orions being ordered to defend its claims in the East China Sea.

The United States strongly supports Japan's position. In an unusual joint press conference in Washington, the US Secretary of State and the Secretary of Defense denounce China's behaviour, and explicitly accuse the PRC of 'trying to change the regional status quo by force.' While not taking sides in territorial disputes, they say that the US is opposed to the use of force and opposed to efforts to change the status quo. America will therefore take action to ensure that no one has an incentive to try to make changes in a non-consensual manner. In the weeks that follow, the US and Japan step up the number of patrols occurring in and around the East China Sea. These include joint aerial patrols as well as an increased deployment of maritime units to the waters around the islands.

Within China commentary in public forums has demanded that the government sharpen up the ADIZ rules, particularly in the face of US pressure. There is also a sense within Beijing that the strong US language would not be backed by firm resolve under the current President. In late September the government then issues a further statement about ADIZ conduct that makes clear China's intention to enforce the zone with lethal force in the event of what it describes as 'provocative action' by non-compliant aircraft. The US and Japan continue to ignore the ADIZ from a military point of view with continuation of the stepped up tempo of patrols. China has begun to increase its broader military presence in the East China Sea and has increased the speed and frequency of interception of these aircraft.

Around four weeks after the new rules have been issued a JASDF patrol consisting of two reconnaissance aircraft escorted by two F15s are patrolling the southern section of China's ADIZ. China scrambles two fighter jets to intercept the patrol. The PLAAF aircraft are reported to have issued instructions to the JASDF aircraft which do not respond. The Chinese aircraft close on the Japanese reconnaissance aircraft, undertaking what the Japanese government later claims were

***“There is also a sense within Beijing that the strong US language would not be backed by firm resolve under the current President.”***

'hostile acts'. The JSDF F15 locks its fire control radar on the PLAAF jet. The other Chinese aircraft then fires a missile at the Japanese jet destroying it, the second F15 returns fire destroying the Chinese aircraft.

Within hours of the event, the governments of both Japan and China are awash with nationalist sentiment. China argues repeatedly that it had clearly indicated the risks of defying its ADIZ rules and that Japan has brought this upon itself and that it is to blame as it was with the Second World War. The incident leads to a rapid introduction of significant Chinese military forces in the East China Sea, including the aircraft carrier *Liaoning* and it is thought a significant submarine presence. The US responds by deploying an aircraft carrier battle group to the northeast of the islands and has begun to contact allies to gather diplomatic support for its defence of Japan's interests. Australia is being actively lobbied by both Washington and Japan for diplomatic support of their position and military support in the case of a further deterioration of the situation.

## **SCENARIO 2.** **ACCIDENTAL MILITARY CLASH: PACIFIC POWER GOES** **PEAR-SHAPED**

### **Background**

In an increasingly crowded Asian maritime environment, the prospects for an accidental military clash are on the rise. Such a clash could potentially happen in the air, at sea or underwater. The most high profile recent example of this occurred in April 2001, when a US Navy EP-3 aircraft conducting what it regarded as a routine surveillance mission off the coast of China and over the waters of the South China Sea collided with a PLA J-8 fighter. While the Chinese plane crashed and the pilot was killed, the American aircraft was forced to land on the Chinese island of Hainan, sparking a major diplomatic crisis between Beijing and Washington. The 24-man crew aboard the EP-3 was held for 11 days, as Washington negotiated its release amidst some fears that Beijing may hold them hostage. Securing the return of the aircraft itself took a further six weeks of haggling over



**U.S. Navy EP-3 surveillance plane parks on an apron in the rain at Kadena Air Base in Okinawa, southern Japan.**

AP Photo/Itsuo Inouye

compensation, by which time the Chinese side had also stripped it of any sensitive technology. The prospects for a crisis of similar nature occurring today over the East China Sea remain very real, particularly as Chinese and Japanese aircraft have been flying dangerously close to each other in recent months. Similar trends were becoming apparent in interactions between Chinese and American aircraft in the months prior to the April 2001 EP-3 crisis.<sup>52</sup>

Probably the greatest chance of an accidental military clash lies on the waters of the East China Sea rather than in the skies above it. While such a clash has yet to occur around the disputed Senkaku/Diaoyu islands, there have been several 'near misses' between US and Chinese vessels in the adjacent South China Sea. In March 2009, for instance, five Chinese vessels shadowed and manoeuvred dangerously around the ocean surveillance ship *USNS Impeccable* while it was conducting operations south of Hainan Island, most likely involving the tracking of Chinese submarines. During this episode, some of the Chinese vessels intentionally stopped directly in front of the *Impeccable*, forcing the US ship to take evasive action in order to avoid a collision.<sup>53</sup> A similar but more serious incident occurred in December 2013 when an American guided missile frigate, the *USS Cowpens*, was forced to take action to avoid a collision with a Chinese

landing ship. The *Cowpens* had been monitoring exercises involving China's aircraft carrier *Liaoning* and several other PLAN surface ships in the South China Sea.<sup>54</sup>

There is a strong likelihood that the frequency of accidental military clashes will increase in the years ahead, particularly in the East China Sea. As and when they do occur, their management is also likely to become increasingly difficult and complex. This is partly due to the effects of Asia's burgeoning military modernization which will enable more and more states to become active in military surveillance. The number of military exercises is also increasing and with this the potential for accidental clashes. Illustrative of these trends is a major military exercise between Chinese and Russian forces which took place in the East China Sea in May 2014. On this occasion, Seoul strengthened its surveillance activities in areas where the Sino-Russian exercise overlapped with South Korea's own ADIZ.<sup>55</sup>

The proliferation of military platforms throughout East Asia is also likely to exacerbate these problems. As the respected Australian maritime security expert Sam Bateman has observed with reference to the growing number of submarine acquisitions in the region: 'more submarines in the narrow seas of the region pose increased risks of submarine accidents and of incidents resulting from the detection of a submarine engaged on covert operations in disputed waters.'<sup>56</sup> In June 2009, for instance, a Chinese submarine 'inadvertently' collided with a sonar array being towed by the US destroyer *John McCain*.<sup>57</sup> In March 2010, the South Korean corvette *Cheonan* was sunk by a torpedo fired from a North Korean submarine, resulting in the loss of 46 lives and sparking a crisis on the Korean Peninsula.<sup>58</sup>

Initiatives to reduce the prospects of an accidental military clash in East Asia have been attempted, but these remain in their early stages and relatively weak. A recent example is the Code for Unplanned Encounters at Sea (CUES), which 21 nations signed at the April 2014 meeting of the Western Pacific Naval Symposium. This is a non-binding code applying only to navies, which outlines communication methods for naval vessels and aircraft when unanticipated encounters occur beyond territorial waters. Given the disputed territorial status

of the Senkaku/Diaoyu Islands, however, CUES is not thought to apply to a contingency in the waters around these.<sup>59</sup>

Even when confidence building and communications mechanisms designed to reduce the prospects for escalation resulting from an accidental clash have been developed, these are often not effectively implemented. This is certainly the case with a series of such measures developed between China and Japan over the past half decade.<sup>60</sup> In the absence of sufficiently strong and effective mechanisms for avoiding accidental military clashes - such as the 1972 agreement between the US and the Soviet Union for the 'avoidance of naval incidents at sea'<sup>61</sup> - the potential for strategic distrust to continue to grow in East Asia is worrying. As Bateman has observed in a reflection upon the December 2013 USS *Cowpens* episode 'such incidents make China "the enemy" for American sailors, and vice versa.'<sup>62</sup>

### The Scenario

It is June 2017. A new Republican President is settling into office in the United States. Likened to former President Ronald Reagan, her performance on the campaign trail has led to speculation that the US will adopt a much harder line in foreign and strategic policy than that taken by her predecessor so as to restore America's flagging credibility around the world. Weakness, rather than strength, is also emerging as a theme in Chinese and Japanese politics. In China, the President's anti-corruption drive is beginning to attract increasing levels of domestic opposition, particularly within senior elements of the PLA. In Japan, commentators are increasingly talking about that country's 'lost three decades' as much touted economic reforms have failed to deliver any meaningful degree of change.

The Shangri-La Dialogue is taking place in Singapore. In recent years great power tensions have become more evident at the meeting. This year, it coincides with a new trilateral military exercise (Exercise *Pacific Power*) between the US, Japan and Australia in the East China Sea. The exercise is seen by commentators as a direct response to the growing number and size of Sino-Russian exercises in the area, which in 2017 have for the first time included South Korea as an observer.

Lieutenant General Wang Guanzhong, Deputy Chief and General Staff Department of the People's Liberation Army of China, speaking at the 2014 Shangri-La Dialogue - 1 June 2014.

EPA/How Hwee Young



The first day of the Shangri-La Dialogue is marked by a characteristically strong statement from the US Secretary of Defense reiterating that America is a 'Pacific Power' who, along with its allies, will 'resist, with force if necessary, any and all efforts to alter the status quo in the East and South China Seas'. A joint statement issued by the US, Japan and Australia on the sidelines of the dialogue contains identical wording about efforts to change the status quo.

As the day progresses, however, footage appears on China's CCTV television station showing Japanese vessels participating in Exercise *Pacific Power* being harassed by Chinese patrols. A Chinese General on the sidelines of the Shangri-La Dialogue is reportedly overheard by an Australian journalist saying 'those Americans are all talk and no action. As we Chinese like to say, the sky is big and the emperor is far away.' The conversation is almost immediately cited in an article posted on the Lowy Institute's *Interpreter* blog.

As darkness falls and delegates from the dialogue retire for dinner to the *Istana* palace in Singapore, reports of continued harassment by Chinese patrols targeting Japanese ships continue. There is no sign of any PLA representatives at the official dinner and rumours are circulating that the Chinese delegation is already on its way back to



China in disgust at the 'cold war' and 'containment' mentality shown towards it during the first day of the dialogue.

At 1am, Singapore time, the Australian Defence Minister receives a call from his senior advisor informing him that there has been a collision between a US missile-guided missile destroyer participating in *Pacific Power* and a Chinese submarine. The US ship has sustained significant damage and lives have been lost, though exactly how many remains unclear at this early stage. There were several Australian personnel on board the ship at the time of the incident.

The Pentagon has determined that it is likely that the clash occurred during an attempt by the Chinese submarine to 'snag' the sonar array being towed by the US vessel. Attempts to contact the Chinese MFA and PLA Headquarters have gone unanswered.

*“the presence of numerous non-state and sub-state actors adds a further layer of complexity and risk to the East China Sea disputes.”*

### SCENARIO 3. NON-STATE ACTORS: CRUISING FOR CONFLICT

#### Background

In addition to governmental forces, the presence of numerous non-state and sub-state actors adds a further layer of complexity and risk to the East China Sea disputes. These include activists of various origin and persuasion, oil and gas firms and fishing fleets.

The highest profile case of activists landing on the disputed Senkaku/Diaoyu islands took place in August 2012. On the 15<sup>th</sup> of that month – the anniversary of Japan's surrender in the Second World War – a group of 14 pro-China activists arrived at the islands having sailed there from Hong Kong. Upon arrival, five were arrested by the Japanese Coast Guard for violating immigration regulations.<sup>63</sup> Only a week later, however, a flotilla of approximately 100 Japanese boats sailed to the islands. Ten activists from this group swam ashore to one of the islands (Uotsori) and waved Japanese flags. The action prompted anti-Japanese protests in cities across China.<sup>64</sup> In January 2013, a ship carrying Taiwanese activists – which was accompanied by four Taiwanese Coast guard vessels – also made the journey to the

disputed islands. They were eventually repelled from the area by the Japanese Coast Guard.<sup>65</sup>

Due to the substantial oil and gas resources thought to lie beneath the East China Sea, commercial enterprises have a significant presence there. The fact that many of these are state owned enterprises and may be perceived to be motivated by strategic as well as commercial imperatives further complicates the picture. Recent experience in the South China Sea is illustrative of the destabilizing effect such firms can have. In May 2014, the China National Offshore Oil Corporation (CNOOC) deployed a rig in Vietnam's exclusive economic zone (EEZ), sparking a major diplomatic standoff between Hanoi and Beijing. The crisis was eventually resolved in July when, citing dangerous weather conditions, the Chinese company withdrew the rig a month before schedule.<sup>66</sup> While the ongoing territorial dispute between China and Japan in the East China Sea has thus far prevented commercial exploration commensurate with the full potential of resources in this area, both Chinese and Japanese companies are focusing their efforts around the disputed Xihu/Okinawa Trough – where most of the East China Sea's resource riches are thought to be. On the Chinese side, most exploration activity here takes the form of joint ventures between CNOOC and the China Petroleum and Chemical Corporation (Sinopec)<sup>67</sup>, meaning that an episode akin to the recent China-Vietnam oil rig crisis is not inconceivable in the East China Sea.

Potentially the most destabilizing non-state actors with a stake in the East China Sea disputes are the large numbers of fishers who earn their livelihood from these waters. As noted earlier, the September 2010 collision between a Chinese fishing trawler and a Japanese Coast Guard vessel sparked a major diplomatic crisis between Beijing and Tokyo and served as a catalyst of sorts for their ongoing territorial dispute. With the size of Asia's fishing fleet continuing to burgeon – this region now accounts for approximately three-quarters of the world's total powered fishing fleet, with China's now the largest – the potential for further such incidents will only increase in the future. And while such incidents are sometimes the result of accident or miscalculation rather than a reflection of genuine political intent on the part of national governments, the nexus between fishing fleets and their governments is unquestionably becoming tighter. When



**Chinese fishing vessel sailing in China's coastal waters.**

Photo: Thinkstock.

the aforementioned Taiwanese activists travelled to the Senkaku/Diaoyu Islands in January 2014, for instance, they were accompanied by four Taiwanese Coast Guard vessels. Similarly, China's Coast Guard frequently comes to the aid of China's fishing fleet and have even reportedly provided fishing vessels with satellite navigation and modern communication technology so they can inform them in the event they experience harassment or are going to be arrested by any foreign countries.<sup>68</sup> Swarms of Chinese fishing vessels have also been used to prevent foreign coast guard or naval vessels from accessing disputed areas, such as during the May 2014 oil rig crisis.<sup>69</sup>

### **The Scenario**

It is 18 September 2018, the anniversary of the 1931 'Manchurian incident' in which Japanese forces blew up a bridge to create a pretext for their invasion of China. In recent years Beijing has ramped up the symbolic significance of the day with the full standing committee of the Politburo attending wreath laying ceremonies and other events. As a result it has become the focal point for the increasingly nationalistic strands of public propaganda in China.

In 2016, against expectations a Republican wins the presidential election. Central to his electoral appeal is the desire to provide some

backbone to American power and to stand up to what he calls in the campaign 'the bullies and thugs of this world'. The long running coalition operations against the Islamic State (IS) have continued much longer than originally anticipated. Some partners have left the coalition and it is the latest example of the perceived weakness of American credibility. In seeking to reconnect with voters and make good on the president's promises, the US has just issued a new Quadrennial Defense Review (QDR), which lays out a significant increase in spending after several years of contraction in the defence budget and returning the US to its old strategic goal of being able to singlehandedly fight and win two wars as and when necessary. However, the US has decided to increase the expectations it has for its many allies. For the first time the QDR spells out in detail the expectations that the US has for its allies including recommended spending increases to specific countries, and expectations, couched in broad terms, of contingency heavy lifting. The QDR is also couched in language harking back to George W. Bush administration in which allies are admonished to decide whose side they are on, that of 'good or evil.'

In China and Japan, mutual antipathies are at an all-time high following a failed assassination attempt on the Japanese Prime Minister, by two Chinese nationals, while he was on route to pay his respects at the Yasukuni Shrine on 15 August.

A private Chinese company has just begun a new service offering cruises to give tourists an opportunity to see the Diaoyu Islands up close. Most of the passengers to board on 18 September are former PLA officers, out for the day to honour fallen comrades. The niece of a prominent PLA General – who is completing her doctoral studies in Australia – and her Australian fiancé, who works for the Australian Department of Foreign Affairs and Trade – are also amongst the passengers on the cruise ship.

The Wu Liang Ye (a type of Chinese liquor) begins flowing among some of the passengers as the trip progresses and a former PLA Admiral decides that he wants to take the wheel for a while. The ship's captain – whose father served under the Admiral – accedes to this request.

As the cruise nears the disputed islands it is approached by three Japanese Coast Guard vessels and asked to leave the area.

While the former Admiral has been asked to relinquish control of the wheel by this point, he grabs the cruise ship's loudspeaker and, in his best Japanese, bellows '*Go-banken-sama*', which means 'Go home' in Japanese. This brings a roar of approval from the deck, where a number of his comrades are making obscene gestures toward the Japanese vessels.

One of the Coast Guard Vessels begins firing its water cannon at the cruise ship and again requests that it leave the waters. By this stage, the captain of the cruise ship has called for reinforcements using equipment provided by the Chinese Coast Guard, fearing his arrest in a repeat of the September 2010 fishing boat collision.

Emboldened by the drinking, one of the former PLA officers on deck begins to disrobe, which brings raucous cheering and laughter from his colleagues, some of whom follow his lead. The Japanese Coast Guard vessel directs its water cannons upon this group, some of whom are thrown to the ground by the force of the water.

Enraged, the former Admiral yells to the captain 'the Japanese have pushed us around for so many years already and you are going to let them do this? Give me that wheel!' The Admiral knocks the captain to the ground, grabs the wheel and steers straight toward the Japanese vessel, forcefully ramming into its side. Smoke begins to bellow from the cruise ship and sirens begin to sound on the Japanese vessel.

By this time, two decommissioned frigates which are now deployed with the Chinese Coast Guard have reached the scene of the incident. One of the frigates demands the Japanese Coast Guard leave the area or to face the consequences if it does not.

Several minutes later, with the Japanese vessels refusing to budge, the frigate fires a series of warning shots. Recognizing that they would be outgunned in any confrontation, the Japanese vessels beat a hasty retreat in search of reinforcements. Jubilant, a number of the former PLA cruise passengers leap overboard and swim towards one of the

disputed islands. The cruise ship dispatches life rafts with supplies as well as several Chinese flags which the swimmers then plant.

These scenes are recorded by one of the Chinese frigates and within an hour are being beamed across China. The images prompt crowds of several thousand to take to the streets in over 100 Chinese cities. In Beijing, rocks and other projectiles are being thrown at the US, Japanese and Australian Embassies.

The Chinese leadership decides to send further civilians and some officials to the islands and to provide supplies. The PLA deploys naval assets to stand off the islands and the Chinese Coast Guard begins to interdict Japanese Coast Guard vessels' efforts to remove the Chinese presence. The PLAN begins to mobilise its forces for what looks like a blockade of the islands from Japanese access.

**Demonstrators in Beijing protesting Japan's purchase of three islets that are part of the disputed Senkaku/Diaoyu islands - 17 September 2012.**

Kyodo







## CHAPTER 4

# AUSTRALIA'S ALLIANCE DILEMMAS

### Australian Risks

As the three scenarios have highlighted, tensions in the region are high. Conflict, while not inevitable, is a very real prospect and, under circumstances that are historically grounded and thus entirely plausible, Australia risks being drawn into an escalation cycle. Given Australia's complex interests in the region, and in particular its important economic ties to all the protagonists, managing these risks is a vital task.

The scenarios have shed light on the different ways in which conflict may develop, from misunderstanding signals to poor communication, from overconfidence to plain bad luck, the triggers of conflict are many. But equally the scenarios have sought to emphasize that conflict will emerge not because of a single accident or incident, but due to the build-up of pressure, rivalry and fear and cycles of escalation which develop a logic of their own.

The stakes for Australia in an East China Sea conflict are real and relate both to specific circumstances – as in the case of the second scenario where Australian military assets are caught up in the clash – as well as to the broader interests of its allies and the stability of the region as whole. But how would the clashes detailed in the previous chapter draw Australia into the logic of conflict? What dilemmas does Australia face because of its alliance relationship?

At least five factors will determine the likelihood of Australia being drawn into a conflict in the East China Sea.

**Who initiates?** Of particular significance are the precise circumstances under which conflict originates and escalates. One of the reasons why Australian policymakers have traditionally tended not to address more broad-brush hypothetical scenarios involving conflict – Ministers Downer and Johnston being notable exceptions to this convention – is that definitive judgments are often difficult,

*“Conflict, while not inevitable, is a very real prospect and, under circumstances that are historically grounded and thus entirely plausible.”*

if not impossible, in the absence of detailed information about just how conflict would unfold. The fact that China has arguably acted as the aggressor in the second scenario, for instance, may make the probability of Australian intervention even more likely than in the third scenario, where a case can be made that Japan was the more heavy-handed of the protagonists and thereby responsible for provoking the ensuing crisis. Often, of course, the precise circumstances around the eruption of conflict are murky with each side apportioning blame, as occurs in the first scenario. However, in those situations where there is a clear instigator of conflict that factor is likely to have considerable impact upon an Australian decision to become involved.



The USS George Washington, a 97,000-ton U.S. aircraft carrier that is taking part in naval drills with South Korea off the western coast of the Korean Peninsula - 28 November 2010.

AAP Image/Yonhap

**How Does the US Respond?** The greatest factor determining whether or not Australia became actively engaged in any dispute (apart of course from its own decision to do so) would derive from the way the US reacted to events. In each of these scenarios, a narrow reading of ANZUS would not oblige Australia to intervene militarily as none involves an 'armed attack' on a signatory. Although there is a remote chance that the second scenario, the accident leading to a loss of US life on board a ship, could be construed as an attack it would require significant diplomatic stretching for that to occur.<sup>70</sup> But it is the broader

President Obama addresses  
jointing sitting of Congress -  
9 September 2009.

AFP PHOTO/Jewel Samad



purpose of the treaty itself and the way in which the relationship has been increasingly understood that will likely bring the alliance into play. The extent to which it does will be contingent on how the US chooses to respond.

The US has made clear that it would do a great deal to avoid a conflict with China and this has been a relatively constant policy position since the mid-1990s, if not earlier. Under the Obama presidency caution about the use of force has been the order of the day. As the second and third scenarios intimated, however, domestic politics in the US has a strong bearing on foreign policy and one cannot be certain that the current administration's cautious approach will continue in the future. An important variable therefore relates to the ways in which *domestic political considerations* are likely to influence America's calculus. If a presidential administration comes to power based on a platform of restoring America's global standing then the prospects of conflict would go up. Although it would not necessarily follow that pressure would be placed on Australia to become involved in a commensurate manner.

A second and related factor that will be crucial to determining how the US would respond to a conflict scenario situation would be the extent to which it believed that its *credibility was seriously threatened if*

*it were not to become involved.* For the US, a country with a remarkable number of alliance commitments around the world, the question of its credibility is extremely significant. Following President Obama's April 2014 statement affirming America's understanding that the disputed islands are covered by the US-Japan security treaty,<sup>71</sup> the prospects that the US might well use force in each of the scenarios is real. Precisely what form that would take is difficult to ascertain but one can be confident that the US would do what it could to reduce the prospects of outright conflict with China. It is our view that the risk of conflict escalating is higher with the first two scenarios.

For Australia, a key alliance dilemma will come when the US begins to take steps in the event that conflict occurs. As an ally Australia will have *the opportunity to help shape the US response*, limited though that ability will be. One of the abiding purposes of ANZUS has been to increase the ability of Australians to influence key strategic decisions in the region. If Australia were to exercise this opportunity, however, it would also *increase the expectation that Australia would become involved* if the crisis deteriorated.

Perhaps the primary tactical decision for the US to make in relation to any East China Sea contingency is whether it would opt to develop a broad international coalition in response or whether it would maintain a narrow operational focus. Given the importance of China to the economies of many states around the world establishing a multinational approach would not be straightforward. The international response to the initial creation of China's ADIZ is instructive here. The US, Japan and Australia singled out China as the destabilizing force. Others such as Britain and the EU, however, took a more cautious line of not apportioning blame while encouraging the peaceful resolution of disputes. It is likely that the US will try to bring as many flags as possible together in support of its actions, particularly if they involve a military component. Yet the difficulty it will face in this task will mean that the diplomatic pressure on Australia to support the US and Japan in their actions, both diplomatically and militarily, will be considerable.

***“Given the importance of China to the economies of many states around the world establishing a multinational approach would not be straightforward.”***

**Does Japan request assistance?** Japanese Prime Minister Shinzo Abe has conducted a remarkable number of foreign forays since

his late 2012 return to the leadership.<sup>72</sup> The new energy in Japanese foreign policy is driven by many factors, but a key component is to build political capital in support of Japan in its jockeying with China for regional and global influence. In all three scenarios, Japan is likely to use some of that capital to try to isolate China diplomatically and to enhance its own position. Australia would be among the first to whom Japan would turn for such support. For Canberra, the kind of dilemma it faces will depend on what Japan seeks. If, under these scenarios, the request is only for diplomatic support, then the risks for Australia are minimal. Although China has responded with some public dressing down of Australia, to date the relationship has not suffered in any substantive sense from the strengthening diplomatic links between Tokyo and Canberra.

A key question is whether Japan would formally request, even privately, some kind of military contribution from Australia. The nature of the defence and security relationship that has developed between Australia and Japan since the early 1990s, and particularly over the past decade or so, means that the likelihood of this occurring has increased markedly. Moreover, a further intensification of this relationship in future will only heighten Tokyo's expectations of Australian support and potentially deepen Canberra's East China Sea entrapment dilemmas. This would be particularly so were Tokyo to acquire the means for exerting leverage over Canberra, as some commentators have argued could potentially occur were Australia to develop any form of technological dependency as a result of acquiring its future submarines from Japan.<sup>73</sup>

*“a further intensification of this relationship in future will only heighten Tokyo's expectations of Australian support and potentially deepen Canberra's East China Sea entrapment dilemmas.”*

**What costs can China impose?** Australia's approach to conflict in the East China Sea will be shaped not just by the choices and pressures of Japan and the US but also by pressure exerted by China and the actions Beijing takes in response to Washington and Tokyo. As Chinese wealth has grown over recent years, Beijing has increasingly employed economic levers under conditions of crisis to achieve foreign and strategic policy goals. In the aftermath of the September 2010 collision between a Chinese fishing trawler and a Japanese coast guard vessel, for instance, Tokyo reported that Beijing had blocked the export of rare earth elements to Japan.<sup>74</sup> Some Australian analysts have argued that China's capacity to use of economic levers has

often proven counterproductive and that Australia's vulnerability to such coercion from its largest trading partner is limited at present.<sup>75</sup> While that may be so, as China's economy continues to grow and as its capacity to employ economic leverage potentially improves over time, it cannot be assumed that Australian decisions perceived as counter-productive to Chinese interests in any future East China Sea contingency will not be cost free.

Part of the reason analysts argue that China's economic leverage over Australia has been limited to date is that such moves would have negative consequences to the Chinese economy. There are two sectors in which China could have a serious influence but which would have little domestic economic consequence for the PRC: tourism and foreign students. Here China could dole out a fair amount of economic pain to Australia by, for example, labelling it an unfit place for travel. As China becomes more important for the Australian tourism industry this risk will only increase. While an Australian government could well opt to bear such costs, Beijing's responses to conflict in the East China Sea will generate additional alliance dilemmas for Canberra to contemplate.

**How much freedom of manoeuvre will Canberra have?** The direct involvement of Australian nationals in any contingency would have a profound effect upon the latitude that Canberra has in responding to any conflict situation. This was recently demonstrated in the aftermath of the MH-17 air disaster, where the significant loss of Australian life necessitated that Canberra respond robustly and assume a leading role as part of the international diplomatic response.<sup>76</sup> The same would almost certainly be true in the case of scenario two – particularly with ADF personnel caught up in the crisis – and possibly even in scenario three, where an Australian national (and government employee) is involved. The influence of social media could further limit Canberra's freedom of manoeuvre in such situations, particularly if images of Australians suffering or even dying are broadcast to the wider world.

It is conceivable that Canberra could seek to maximize its freedom of manoeuvre in any crisis scenario by claiming that maintaining a sense of distance and independence could allow it to play an 'honest



broker' role in managing and possibly even finding a solution to the crisis at some later point. However, this line of argument is unlikely to hold much water with a United States that is calling upon its allies to engage in more equal defence burden-sharing and that has not been shy over recent years of quietly accusing Canberra of free-riding upon their longstanding alliance relationship.<sup>77</sup> At the same time, however, the statements and positions that Australian policymakers adopt in advance of any conflict will also condition how much freedom of manoeuvre Canberra has if and when crisis strikes. Hardline diplomatic stances such as the Australian government's response to China's November 2013 ADIZ declaration, for instance, while arguably designed to deter further such steps and to garner respect from Beijing, may ultimately make it much harder for Canberra to credibly do anything other than to side with the US and Japan in the event of an East China Sea conflict.





**CHAPTER 5****CONCLUSION AND RECOMMENDATIONS**

Since the ending of the Cold War a quarter of a century ago, strategic analysts have identified East Asia as a region that is 'ripe for rivalry'.<sup>78</sup> Such pessimistic prognoses typically zeroed in on the Korean Peninsula and Taiwan flashpoints as those most likely to combust, with the potential to spark a conflict that engulfs the entire region. In recent years, the East China Sea has joined and potentially even overtaken these more traditional areas of tension as this region's most dangerous.

China's first aircraft carrier  
docked in Dalian, northeast  
China's Liaoning province -  
24 September 2012.

AFP Photo



The danger derives from many sources. China's ambitions to be a maritime power, its sense of historical grievance over what it sees as the dispossession of its historical territories and its growing capacity to project military force are often cited as the precipitants of the tensions. But to this must be added Japan's refusal to recognise that the islands are subject to dispute, a growing nationalism exhibited by the ruling Liberal Democratic Party (LDP) of Japan, as well as the potential hydrocarbon wealth that lies under the seabed in the waters abutting the islands. Although the US has long sought to remain aloof



**Foreign Affairs Minister  
Julie Bishop speaks during a  
media conference in Melbourne -  
29 September 2014.**

AAP Image/Mal Fairclough

from the specifics of territorial disputes in Asia, its approach in the East China Sea has involved a tacit taking of sides. From the response to China's announcement of an East China Sea ADIZ, in which the US said it opposed efforts to change the status quo, to the statement by President Obama in April 2014 that the islands were covered by the US-Japan Security Treaty, the US has indirectly backed Japan's position and in so doing has hardened the lines of difference in the region.

While all those with a stake in the islands' future, both those directly at risk of conflict and those indirectly caught up in the tensions that surround them, hope that the worst outcomes can be avoided one must recognize the hard reality that conflict in the East China Sea is a very real prospect. This paper has sought to show why this is the case, how important it is for Australia and how conflict may play out. Because of its vital links to the three main players Australia has a direct stake in any such conflict.

The most direct way in which Australia may become embroiled in conflict in the East China Sea is because of its formal alliance relationship with the United States. And the central question of this project is whether ANZUS would apply in such a contingency. The answer to the question is mixed. The treaty was deliberately

written with ambiguity surrounding the operative clause (Article IV), technically referred to as the *causus foederis*. As a result a conflict in the East China Sea would not automatically invoke ANZUS. The only circumstances in which the treaty obligations would unarguably come into play would be an unambiguous assault on US forces, military installations or civilian assets based in the region. Even then, precisely what the invocation of ANZUS would require Australia to do is unclear. Unlike the operative component of NATO's North Atlantic treaty which requires all members to treat an attack on one as if it were an attack on themselves, ANZUS only requires action to 'meet the common danger'. This paper judges that it is very unlikely that a conflict in the East China Sea in the next five years would be of a kind that would automatically obligate Australia to take action because of the treaty.

This does not mean, however, that Australia is free of obligation in the event of a clash. However, it is the political and strategic dimensions of the alliance relationship that provide expectations that Australia would, under particular circumstances, have to navigate. ANZUS as a legal document provides the scope for policy autonomy for Australia, as this paper has sought to show, the ability of Australia to act on this will depend on how conflict unfolds, what choices the key powers make and Australian policymakers and politicians' capacity to navigate these complex waters.

Australians, both the policy elite and public more generally, should recognize that there are three key aspects of the relationship that mean that Australia's capacity to avoid being caught up in a conflict in the East China Sea is narrower than it might otherwise have been.

First, the alliance relationship with the US has been bound very tightly in recent years and Australia has displayed considerable enthusiasm in the strengthening of its links with Washington. When this is added to Australia's flawless record of becoming militarily involved in every instance in which Washington has sought it then it is increased the expectations that Washington has about where Australia would stand in the case of a conflict.

Second, the strategic purpose of the alliance has been broadened out so that it is understood by both parties now not only to be about the defence of their security interests narrowly understood but as a key mechanism to support regional peace and stability. Although of a lower political significance than the first factor, nonetheless this broadening out is not only rhetorical, it comes with expectations and these will come into play in any contingency in the East China Sea.

Third, Australia has been developing a closer strategic relationship with Japan. This has a longer run history but has been accelerated by the actions of the Abbott government. Australia has arguably come close to siding with Japan in its dispute with China over the Senkaku/Diaoyu islands,<sup>79</sup> it has repeatedly emphasised publically the deep strategic links between the two allies and looks to be the first country with whom Japan will have a close defence technology trading link. Due to this the chances of Australia being drawn into an East China Sea clash are higher than would otherwise have been the case.

To be clear, this increased expectation does not tie Australia's hands entirely and does not mean that it will be obligated to become involved in a war with China. But it does mean that there will be some side costs that will have to be borne if allies and very close friends have expectations that are not met. It is also important to emphasise that while there is a tendency to view the US alliance link in the context of a putative conflict purely in terms of entanglement risks for Australia, it also entails opportunity. A key reason for the alliance's existence has been the way in which it provides an avenue for influence in Washington. Australian alliance managers have been very successful in the past at leveraging this influence, indeed some insiders have remarked that it is surprising how much influence and access Australia has given the relatively small contribution it makes. Thus the alliance provides scope for Australia to shape the American response in ways that can be helpful for its broader interests.

This also holds for Japan, where the growing strategic intimacy between Canberra and Tokyo offers opportunities for influence perhaps not sufficiently acknowledged as yet in the Australian debate over the opportunities and risks associated with this deepening defence partnership. Perhaps the most important point to emphasise

is that alliances and other strategic relationships, such as that with Japan, are not automatic mechanisms which compel participants, they are instruments of statecraft which provide opportunities for autonomy and transformation as well as risks of entrapment. The key for Australia is to maximise these opportunities and reduce the risks of becoming ensnared in conflict.

## Risks of Escalation

To do this a clear understanding of the nature of the risks Australia faces is needed. With the exception of the second scenario, in which Australian defence force personnel were directly involved in an accident, Australia's potential involvement in any East China Sea conflict will be the result of a clash escalating and in the process becoming internationalised. There are many ways in which the militaries and non-state forces from China, Japan and the US may clash leading to damage and the loss of life. To date in the East China Sea, when incidents have occurred they have not spiralled out of control. This paper demonstrates that the most salient features which could turn a clash into an internationalised conflict are as follows:

**Nationalist sentiment driving escalation.** In both Japan and China, this dispute has the capacity to become enflamed by nationalism at the popular level. More importantly, the nationalist credentials of political leaders has the potential to constrain their policy options in a crisis. Nationalism is a particularly challenging phenomenon as it is notoriously difficult to control and makes negotiation and compromise extremely difficult. This is especially so in China, where the goal of national redemption has become so central to the legitimisation of the rule of the Chinese Communist Party.

**US concerns about credibility.** Thus far the American attitude to the Senkaku/Diaoyu dispute has been informed by the view that they are not a core US interest in the region. Unlike the South China Sea where issues of freedom of navigation are potentially at play, in the East China Sea the stakes have been largely shaped by Chinese and Japanese views. However, the credibility of the American role in the region and the value of its alliances are now part of the geostrategic calculus. These credibility concerns are currently only in their infancy, and the perceptions may be misplaced, but credibility of American power and



**Haiyang Shiyu oil rig 981 in the South China Sea.**

AP Photo

commitment is a primary interest for the US. If this becomes an issue in any clash then escalation risks increase.

**Misjudgement about priorities and ‘redlines’.** China’s approach to its maritime interests is the subject of intense debate. One influential line of thinking is that China follows a strategic logic in which it tests and then stretches the prevailing status quo. By behaving as if its claims were recognized it is slowly and incrementally trying to realize its ambitions. This has caused tensions in the past, most recently with the deployment of an exploratory oil rig off the shores of Vietnam. As yet, this has been contained short of conflict. In part this is because China has not crossed any tripwires or redlines. If, however, Beijing were to misperceive the priorities of the US and Japan, or if it was unclear about where Tokyo and Washington’s ‘redlines’ might lie, then the risks of escalation increase.

**Leaders’ Bereft of Options.** One of the greatest risks of an escalation of tensions between China and Japan stems from the sense that the leadership of both countries feels as though it is boxed in, lacking strategic options. In the foreseeable future, a conflict is unlikely to occur as a considered positive choice by one side to seize the strategic initiative. It would fly in the face of the taste for risk displayed to date by both states. But if circumstances pushed leaders in Tokyo or Beijing



to perceive that there were few other politically palatable choices then the prospects of containing a clash are reduced.

**Bad decisions.** Accidental clashes of the kind detailed in this paper can come from miscalculation, misjudgement and poor command and control systems. Often such clashes can be the result of basic human error when operating in the high pressure environment of a crisis. This is especially so as the skies and waters around the disputed Senkaku/Diaoyu Islands become increasingly crowded and as militaries are operating in much greater proximity. This situation is complicated by the presence of third parties, often non-state actors such as fishing vessels and resource companies. The impact of social media can create a 'multiplier effect' with the potential to compound the impact of initial bad decisions by requiring policymakers to make their own decisions quickly on how to respond, often in the face of public pressure and sometimes with less than optimal information available to them. These risks are not mutually exclusive, indeed conflict escalation is only likely if several of these factors interact to drive a logic of conflict.

## Managing Risk and Preventing Escalation: Policy Recommendations

Not all clashes, even those that do escalate to some degree, will force Canberra to show its hand in ways that could redound negatively on its relations with Beijing. The nature of the alliance relationship is such that even if the US and China end up on either side of a clash, Australian involvement is not automatic. That said, the principal challenge in managing risks of an East China Sea conflict lies in maintaining maximum freedom of policy manoeuvre. This means ensuring Australia does not over-commit too soon, thus taking a position in which it pays a price with Beijing unnecessarily, nor that it fails to uphold its end of alliance expectations. For Canberra, the main piece of policy preparation lies in managing the expectations of the US and Japan in the event of different kinds of contingencies.

The other steps that Australia can take to reduce the risks of being caught up in a conflict is to work alongside others in the region, both the direct protagonists as well as the many others who would suffer

in the event of a clash to develop better mechanisms for managing crises in the East China Sea.

The main risks of escalation are informational, thus the first step in reducing the chances of conflict is **to improve communication about where exactly the parties stand, what the redlines entail and what consequences will follow from crossing these lines.** Relatedly, protagonists need to improve day-to-day communication to manage incidents and accidents. There is still no hotline between Tokyo and Beijing nor are there clear and accepted norms about incidents at sea or in the air in the vicinity of the disputed territories. Better information about both the broader strategic posture and specific operational priorities is vital to managing these ongoing tensions.

A related measure is to develop escalation control mechanisms. The febrile political environment in Northeast Asia caused by the heavy role that nationalism plays in the political calculus of the key players means that minor crises have a high escalation risk profile. Australia and like-minded countries should begin to **develop a series of mechanisms that can act as off-ramps to take the heat of out of incidents as they occur and provide disputants with ways out of escalation dilemmas.**

One possibility is to build upon the recently signed Code for Unplanned Encounters at Sea (CUES), strengthening this weak agreement to provide norms that signatories adhere to in the case of maritime crises. In particular, clarification could be sought that CUES applies in the disputed waters around the Senkaku/Diaoyu islands. Expanding the remit of CUES to the full range of military services – not just navies, as is currently the case – should be sought. Work could also begin to turn CUES into a binding crisis management agreement thus upgrading its current voluntary status. Taken together, these steps can serve to provide diplomatic breathing room to reduce tensions and build confidence.

Finally, Australia can use its close relationship with Japan, alongside the US, to try to improve the prospects of a resolution process that is mutually agreeable between Tokyo and Beijing. Chinese claims to the islands should be taken seriously and not only because the interests

of a great power like China have a weight that cannot be ignored, but also because Tokyo's claims rest on questionable international legal foundations. A first step down this path is **for Tokyo to accept that there is a dispute in the first place. Australia is in an extremely good position to use its close relationship to help convince Japan of the strategic utility of such a move.**

Recognising that this will still be politically difficult for Japan, a first step could involve the establishment of a new second track process focused specifically on the East China Sea disputes that involves actors from across the region. To be effective the process would need to have some institutional foundation and a clear link to policy decision-making. One way to do this would be to establish a Track Two process under the auspices of the ADMM+. This relative newcomer to the regional scene would be an excellent framework due to its region-wide membership, its mandate to drive concrete forms of security cooperation and its established maritime security work program. In partnership with other regional stakeholders that do not have a direct territorial claim, but which have a strong interest in maintaining regional stability, Australia could play a lead role in initiating this process.

If Japan will not do this then the prospects of resolving this longstanding contest between East Asia's two most important states is slim. For so long as that is the case, Australia will face the risk of being caught up in a conflict between two of its most important economic partners.



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