

# **The 7th Japan–Australia Track 1.5 Dialogue**

**Tokyo**

**February 29 - March 1, 2012**

Co-Hosted by:

The Japan Institute of International Affairs (JIIA)

The Australian Strategic Policy Institute (ASPI)

Supported by:

Ministry of Foreign Affairs, Japan



## Contents

<b>Preface .....</b>	<b>3</b>
<b>Agenda .....</b>	<b>5</b>
<b>List of Participants .....</b>	<b>7</b>
<b>Biographies</b>	
<b>Japanese Participants .....</b>	<b>9</b>
<b>Australian Participants .....</b>	<b>16</b>
<b>Summary .....</b>	<b>21</b>
<b>Talking Points .....</b>	<b>51</b>
<b>Session 1 .....</b>	<b>52</b>
<b>Session 2 .....</b>	<b>56</b>
<b>Session 3 .....</b>	<b>60</b>



## Preface

This report is the product of the Seventh Japan-Australia Track 1.5 Dialogue held in Tokyo in February-March 2012, consigned to the Japan Institute of International Affairs (JIIA) by the Ministry of Foreign Affairs of Japan. This dialogue was organized with the aim of producing policy recommendations for the enhancement of Japan-Australia security cooperation.

In recent years, we have witnessed remarkable developments in the bilateral security relationship between Japan and Australia, represented by the issuing of the Japan-Australia Joint Declaration on Security Cooperation in March 2007 and of the Memorandum on Defense Cooperation in December 2008. More recently, Japan and Australia signed their Acquisition and Cross-servicing Agreement (ACSA) in May 2010. Reflecting these developments, a group of security and regional experts from Japan and Australia discussed in this meeting possible measures to enhance security cooperation between Japan and Australia based on three topics: 1) recent developments in China's foreign and security policy and the implications for Australia and Japan, 2) the South China Sea and maritime security, and 3) Australia-Japan security cooperation and the US.

We hope that this report will make a contribution to policy-making regarding Japan-Australia security cooperation. Lastly, we would like to express our deepest appreciation to the Oceania Division, Asian and Oceanian Affairs Bureau, Ministry of Foreign Affairs of Japan, and the Australian Strategic Policy Institute (ASPI) for their cooperation in holding this dialogue.

(As this dialogue is based upon the Chatham House Rules, this report does not identify the speaker for any records of statements made throughout the course of the dialogue.)

Yoshiji Nogami  
President  
The Japan Institute of International Affairs



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## The 7th JAPAN-AUSTRALIA TRACK 1.5 DIALOGUE

February 29 - March 1, 2012

Tokyo, Japan

### AGENDA

Co-Hosted by: Japan Institute of International Affairs

Australian Strategic Policy Institute

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Wednesday, February 29, 2012

- 10:30 - 10:40      **Opening Remarks**  
Japan: Amb. Yoshiji NOGAMI, President, Japan Institute of International Affairs (JIIA)  
Australia: Maj. Gen. Peter ABIGAIL, Executive Director, Australian Strategic Policy Institute (ASPI)
- 10:40 - 11:30      **Session 1: Recent Developments in China's Foreign and Security Policy and the Implications for Australia and Japan**  
Moderator: Amb. Yoshiji NOGAMI, JIIA  
- Presentation  
Japan: Dr. Yoshifumi NAKAI, Professor, Gakushuin University  
Australia: Maj. Gen. Peter ABIGAIL, Executive Director, ASPI  
- Discussion
- 11:30 - 11:40      Coffee Break
- 11:40 - 13:00      **Session 1 Continuation**
- 13:00 - 14:00      Lunch
- 14:00 - 14:50      **Session 2: The South China Sea and Maritime Security**  
Moderator: Maj. Gen. Peter ABIGAIL, ASPI  
- Presentation  
Australia: Dr. Andrew DAVIES, Program Director (Operations and Capability), ASPI  
Japan: Dr. Koichi SATO, Professor, J.F. Oberlin University  
- Discussion
- 14:50 - 15:00      Coffee Break
- 15:00 - 16:20      **Session 2 Continuation**

Thursday, March 1, 2012

- 10:30 - 11:20      **Session 3: Australia - Japan Security Cooperation and the US**  
Moderator: Mr. Hideki ASARI, Deputy Director General, JIA  
- Presentation  
    Japan: Dr. Eiichi KATAHARA, Professor / Director, Regional Studies  
        Department, National Institute for Defense Studies (NIDS)  
    Australia: Dr. Rod LYON, Program Director (Strategy and International), ASPI  
- Discussion
- 11:20 - 11:30      Coffee Break
- 11:30 - 12:50      **Session 3 Continuation**
- 12:50 - 13:00      **Closing Remarks**  
    Australia: Maj. Gen. Peter ABIGAIL, ASPI  
    Japan: Amb. Yoshiji NOGAMI, JIA
- 13:10 - 14:40      **Farewell Lunch**  
    Venue: "Suwa," The Tokai University Club  
        (Kasumigaseki Bldg. 35F, 3-2-5 Kasumigaseki, Chiyoda-ku, Tokyo)

# The 7th Japan - Australia Track 1.5 Dialogue



February 29 - March 1, 2012  
Tokyo, Japan



## List of Participants

\*Alphabetical order based on last name.

### Japan

Name	Title	Organization
Mr. Hideki ASARI	Deputy Director General	Japan Institute of International Affairs
Dr. Tamotsu FUKUDA	Research Fellow	Japan Institute of International Affairs
Dr. Teruhiko FUKUSHIMA	Professor	National Defense Academy of Japan
Mr. Shinichi IIDA	Director, Oceania Division	Ministry of Foreign Affairs
Mr. Yasuyuki ISHIDA	Official, National Security Policy Division, Foreign Policy Bureau	Ministry of Foreign Affairs
Mr. Yasuhisa ISHIZUKA	Defense Councilor, Minister's Secretariat / Deputy Director General, Defense Intelligence Headquarters	Ministry of Defense
Mr. Osamu IZAWA	Director, National Security Policy Division, Foreign Policy Bureau	Ministry of Foreign Affairs
Vice Admiral Hideaki KANEDA	Director	Okazaki Institute
	Adjunct Fellow	Japan Institute of International Affairs
Ms. Etsuko KANNO	Defense Official	Ministry of Defense
Dr. Eiichi KATAHARA	Professor / Director, Regional Studies Department	National Institute for Defense Studies
Dr. Tsutomu KIKUCHI	Professor	Aoyama Gakuin University
	Adjunct Fellow	Japan Institute of International Affairs
Mr. Koichiro MIYAGI	Researcher, Oceania Division, Asian and Oceanian Affairs Bureau	Ministry of Foreign Affairs
Dr. Yoshifumi NAKAI	Professor	Gakushuin University
Amb. Yoshiji NOGAMI	President	Japan Institute of International Affairs
Prof. Naoko SAJIMA	Professor	Senshu University
Dr. Koichi SATO	Professor	J. F. Oberlin University

## *Australia*

<b>Name</b>	<b>Title</b>	<b>Organization</b>
<b>Maj. Gen. Peter ABIGAIL</b>	Executive Director	Australian Strategic Policy Institute
<b>Mr. Richard ANDREWS</b>	Minister-Counsellor (Political)	Australian Embassy, Tokyo
<b>Dr. Andrew DAVIES</b>	Director for Operations and Capability Program	Australian Strategic Policy Institute
<b>Dr. Brendon HAMMER</b>	Deputy Head of Mission	Australian Embassy, Tokyo
<b>Dr. Rod LYON</b>	Director for Strategy and International Program	Australian Strategic Policy Institute
<b>Ms. Davina McCONNELL</b>	Second Secretary (Political / Strategic)	Australian Embassy, Tokyo
<b>Mr. Greg RAYMOND</b>	Director, Strategic Policy Guidance	Department of Defence
<b>Mr. Peter ROBERTS</b>	Counsellor (Political)	Australian Embassy, Tokyo
<b>Group Captain Malcolm SELKIRK</b>	Defence Attaché	Australian Embassy, Tokyo

## The 7th Japan – Australia Track 1.5 Dialogue

### Biographies

\*Alphabetical order by last name.

#### Japanese Participants

##### **Hideki ASARI**

Hideki Asari is Deputy Director General of The Japan Institute of International Affairs. He was Minister at the Embassy of Japan in the US before assuming his current position. After graduating from Waseda University he joined the Ministry of Foreign Affairs (MOFA) in 1986. He earned M.A. in the University of Oxford. At MOFA he served as Counsel for Trade Negotiations in the International Legal Affairs Bureau (2004) and as Director of the Oceania Division of the Asian and Oceanian Affairs Bureau (2005-2007). His overseas posts include Political Counselor at the Japanese Embassy in the Republic of Korea (2003) and Economic Counselor, and later Minister at the Japanese Embassy in the US (2008-2011). He was also Cabinet Counselor in the Office of the Assistant Cabinet Secretary (2007-2009).

##### **Tamotsu FUKUDA**

Tamotsu Fukuda is a research fellow at the Japan Institute of International Affairs (JIIA). He also teaches part-time at Aoyama Gakuin University, Gakushuin University, and Hosei University. He obtained his Ph.D. (Political Science and International Relations) from the Australian National University in 2008. His research interests include regional security in the Asia-Pacific and ASEAN. His recent publications include: "Japan and ASEAN" in Toshihiro Minohara, ed., *Japan's Critical Issues in the 2000s: Foreign Policy and Security* (Tokyo: Kashiwa Shobo, 2011) (Japanese publication).

##### **Teruhiko FUKUSHIMA**

FUKUSHIMA Teruhiko joined the National Defense Academy of Japan as professor of Oceanian studies at the Department of International Relations. His academic interests covers various issues of Australian studies. He has recently written on Rudd-Gillard government's foreign and security policies; the Asia-Pacific community idea; Australia's defence organizational reforms; the evolution of postwar Australia-Japan relations; the Australian and New Zealand labour governments' economic reform, and is now writing an article on the issue of water security in the Murray-Darling Basin. He obtained the Ph. D degree from the Australian National University.

## **Shinichi IIDA**

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### Education

<b>Amherst College</b>	Massachusetts, USA
<i>Bachelor of Arts, 1991-1993</i>	
<b>The Training Institute of Ministry of Foreign Affairs of Japan</b>	Tokyo, Japan
<i>Diplomatic Trainee, 1990-1991</i>	
<b>The University of Tokyo</b>	Tokyo, Japan
<i>Law Faculty, 1987-1990</i>	

### Professional Experience

<b>Ministry of Foreign Affairs</b>	Tokyo, Japan
Director, Oceania Division	2010-present
Senior Coordinator, Economic Policy Division	2008-2010
Principal Deputy Director of Financial Affairs Division, Minister's Secretariat	2006-2008
First Secretary, Permanent Mission of Japan to the United Nations	2003-2006
Principal Deputy Director of China and Mongolia Division, Asian and Oceanian Affairs Bureau	2001-2003
Deputy Director of Treaties Division, Treaties Bureau	1998-2001
Deputy Director of Management and Coordination Division, Minister's Secretariat	1997-1998

## **Yasuhisa ISHIZUKA**

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Date of Birth:	26 October 1958
Present Assignment:	Defense Councilor, Minister's Secretariat and Deputy Director General, Defense Intelligence Headquarters
Education:	Mar 1981 Hitotsubashi University (Economics, BA)

### Service Career:

Apr 1986	First Intelligence Division, Defense Policy Bureau
Jun 1988	Operations Division, Defense Policy Bureau
Oct 1990	Administration Division, Minister's Secretariat
Dec 1990	Communication Division, Equipment Bureau
Nov 1991	Administration Division, Minister's Secretariat
Sep 1992	Second Personnel Division, Personnel Bureau
Apr 1995	Accounts Division, Finance Bureau
Jul 1996	Special Assistant to Minister of State for Defense
Apr 1997	Visiting Research Fellow, Institute for National Strategic Studies, National Defense University, USA
Sep 1998	Equipment Division, Equipment Bureau
Jul 1999	Director, Fourth Contract Division, Equipment Procurement Office
Jun 2000	Director, Education Division, Personnel and Education Bureau
Apr 2002	Director, Accounts Division, Administration Directorate, Defense Facilities Administration Agency
Jul 2004	Director, Administration Division, Administration

Aug 2005	Directorate, Defense Facilities Administration Agency Director for Administration, Secretariat, National Defense Medical College
Sep 2007	Director for Administration, Tohoku Regional Defense Bureau
Jan 2008	Director for Technical Planning, Technical Research and Development Institute
Aug 2008	Deputy Director General, Technical Research and Development Institute
Aug 2009	Director for Management, Cabinet Satellite Intelligence Center, Cabinet Intelligence and Research Office, Cabinet Secretariat
Aug 2011	Present Assignment

### **Osamu IZAWA**

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Director of National Security Policy Division, Foreign Policy Bureau,  
Ministry of Foreign Affairs

Date of Birth: August 16, 1963

Mar. 1987	Graduated from Keio University, Faculty of Economics
Apr.	Entered Ministry of Foreign Affairs
Nov. 1999	First Secretary, Embassy of Japan in France
Dec. 2002	Principal Deputy Director, Policy Coordination Division, Foreign Policy Bureau
Aug. 2004	Senior Foreign Policy Coordinator, Policy Coordination Division, Foreign Policy Bureau
Mar. 2006	Principal Senior Foreign Policy Coordinator, Policy Coordination Division, Foreign Policy Bureau
Aug.	Deputy Director, Japan-US SOFA Division, North American Bureau
Aug. 2008	Minister's Secretariat
Sept.	Secretary to MACHIMURA Chief Cabinet Secretary
Sept.	Secretary to KAWAMURA Chief Cabinet Secretary
Sept. 2009	Secretary to HIRANO Chief Cabinet Secretary
Jun. 2010	Secretary to SENGOKU Chief Cabinet Secretary
Jan. 2011	Present Position

### **Hideaki KANEDA**

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Vice Admiral Hideaki Kaneda, JMSDF (ret.) is a Director for The Okazaki Institute, an adjunct fellow of JIIA (Japan Institute of International Affairs) and a trustee of RIPS (Research Institute of Peace and Security). He was a Senior Fellow of Asia Center and J. F. Kennedy School of Government of the Harvard and a Guest Professor of Faculty of Policy Management of Keio University.

He is the author of published books and articles about security, including "*Proposal for*

*Maritime Coalition in East Asia*", *IMDEX*, Germany, Nov. 2000, "*Changing situation of China's and Japan's security*", *World and Japan*, Tokyo, Sep. 2001, "*US/China Power Game in Maritime Hegemony*", *JIIA*, Tokyo, Mar. 2003, "*BMD for Japan*", *Kaya-Books*, Tokyo, Mar. 2003, "*Multilateral Multi-Agencies Cooperation for Maritime Order Maintenance*", *CSCAP*, Apr. 2005, "*US and Japan's Policy toward North Korea*", *World and Japan*, Tokyo, Sep. 2005, "*Japan's Missile Defense*", *JIIA*, Tokyo, Dec. 2006, "*Collective Defense Right and Japan's Security*", *Naigai News*, Tokyo, Aug. 2007, "*Aspects of the War (Sea Battle)*", *Naigai Publishing Company*, Tokyo, July. 2008, "*Understanding BMD*", *Ikaros-Books*, Tokyo, Oct. 2008, "*Japan's Diplomacy and Total Security*", *Wedge*, Tokyo, Sep. 2011.

He is a graduate of the National Defense Academy in 1968, the Maritime War College in 1983, and the U.S. Naval War College in 1988. He served in the JMSDF from 1968 to 1999, primarily in Naval Surface Warfare at sea, while in Naval & Joint Plans and Policy Making on shore.

### **Eiichi KATAHARA**

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Eiichi KATAHARA is Professor and Director, Regional Studies Department at the National Institute for Defense Studies (NIDS) of the Japanese Ministry of Defense. Prior to joining NIDS, he was Professor of International Relations at Kobe Gakuin University; a visiting fellow at Stanford University's Asia-Pacific Research Center; a postdoctoral fellow at the University of California's Institute on Global Conflict and Cooperation (IGCC); lecturer in the Department of Political Science and research fellow at the Australia-Japan Research Center both at the Australian National University. He is Editor-in-Chief of the forthcoming *East Asian Strategic Review 2012* (Tokyo: National Institute for Defense Studies, 2012). His publications include "Japan: From Containment to Normalization," in Muthiah Alagappa (ed.) *Coercion and Governance* (Stanford University Press, 2001); Chapter on the USA, *East Asian Strategic Review 2010* (Tokyo: National Institute for Defense Studies, 2010); "Japan's Concept of Comprehensive Security in the Post-Cold War World," in Susan Shirk & Christopher P. Twomey (eds.) *Power and Prosperity: Economics and Security Linkages in Asia-Pacific* (Transaction Publishers, 1996) and other articles and book chapters. He earned a Ph.D. in Asian and International Studies from Griffith University, an MA in International Relations from The Australian National University, and a BA in Economics from Keio University.

### **Tsutomu KIKUCHI**

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Kikuchi Tsutomu is professor of international political economy of the Asia-Pacific at the Department of International Politics, Aoyama-Gakuin University, Tokyo. He has been an adjunct fellow at the Japan Institute of International Affairs (JIIA) since 1987. He was a visiting fellow at the Australian National University (ANU) and the Institute of Southeast Asian Studies (ISEAS) and a visiting professor at the University of British Columbia (UBC). He has been engaged in various track 2 activities such as the Pacific Economic Cooperation Council (PECC) and the Council for Security Cooperation in the Asia Pacific (CSCAP). He has published many books and articles on international political economy

(especially regional institution-building) of the Asia-Pacific. He obtained his doctoral degree (LL.D) from Hitotsubashi University, Tokyo.

### **Yoshifumi NAKAI**

Yoshi Nakai has been teaching Chinese Politics and International Relations at the Department of Political Studies, Gakushuin University, Tokyo, Japan since 2003. From 1997 to 2003, he had been Senior Researcher at the Institute of Developing Economies. He was Researcher at the Consulate General of Japan in Hong Kong from 1991 to 1994, and Senior Researcher, Center for Asia-Pacific Affairs at the Japan Institute of International Affairs from 1994 to 1997.

His recent publications include "Japan's Views on the Rise of China and Its Implications: Bureaucratic Interests and Political Choices," in Hsin-Huang Michael Hsiao and Cheng-Yi Lin eds., *Rise of China: Beijing's Strategies and Implications for the Asia-Pacific*. Routledge: New York, 2009; "Japan's Perspective on U.S.-China-Taiwan Relations." in Cheng-yi Lin and Denny Roy eds., *The Future of United States, China, and Taiwan Relations*. Palgrave: New York, 2011.

### **Yoshiji NOGAMI**

Yoshiji Nogami is President of The Japan Institute of International Affairs and Executive Advisor of the Mizuho Corporate Bank, Limited. His current responsibilities include Advisor to the Cabinet, Advisor to the Minister for Foreign Affairs. He is former Japanese Ambassador to the U.K. and a Vice-Minister for Foreign Affairs of Japan. After graduating from the University of Tokyo he entered the Ministry of Foreign Affairs in 1966. He was Deputy Director-General of the Middle Eastern and African Affairs Bureau and the Foreign Policy Bureau, Director-General of the Economic Affairs Bureau, Deputy Minister for Foreign Affairs. His overseas posts include Economic Counsellor at the embassy in the U.S. and Consul-General in Hong Kong. Mr. Nogami was also Ambassador to the OECD in Paris in 1997-99. He was Senior Visiting Fellow at the Royal Institute of International Affairs.

### **Naoko SAJIMA**

Professor at Senshu University (International Security). Sajima graduated from Sophia University, Department of Law, and completed her M.A. (International Politics) at Aoyama Gakuin University. During a career of 19 years at the Japan Defense Agency, she worked in the Foreign Relations Office and as a senior researcher in the National Institute for Defense Studies, among other posts. In April 2001 she assumed her current post. She was a visiting fellow of the Strategic Defence Studies Centre (SDSC), ANU in 1994-1995 and a distinguish fellow of Centre for Strategic Studies (CSS), NZ in 1998-1999. She was the Secretary General of Japan Society for New Zealand Studies (JSNZS) from 2008-2010. Amongst various publications both in English and Japanese, her leading monographs in English include; *Japanese Sea Power: A maritime nation's struggle for identity* (Canberra: Sea Power Centre, Australia, 2009); 'JANZUS: towards complementary security

arrangements', *Senshu University Institute of Humanities Monthly Bulletin No.241*, October 2009, [originally presented at the 2008 International Study Association (ISA) Annual Convention in San Francisco]; *Japan, Australia and Asia-Pacific Security* (London: Routledge, 2006) (Coauthor); *Strategic Cultures in the Asia-Pacific Region* (London: MacMillan Press Ltd., 1999) (Coauthor). In 2005 she got the 15<sup>th</sup> Cum-Sophia Award [Sophia Alumni Association Prize] with the winning work of *Gendai anzen hosho yogo jiten [Concise Encyclopaedia of Security Affairs]* (Shinzansha, 2004) as an editor in chief.

## **Koichi SATO**

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Nationality: Japanese

Date and Place of Birth: 17 January 1960, Tokyo

Position: Professor of Asian Studies

Office: College of Liberal Arts, J. F. Oberlin University, Tokyo, Japan

3758 Tokiwa, Machida City, Tokyo, 194-0294, Japan

Tel: 042-797-2661 Fax: 042-797-2743

E-mail: koichis@obirin.ac.jp

Education: Bachelor of Law (politics), Tokyo Metropolitan University

Master of Arts (politics), Tokyo Metropolitan University

Ph. D in International Studies, Waseda University

Employment: Sales Engineer, Hitachi Chemical Co. Ltd. 1983 - 1987

Research Fellow, Japan Institute of International Affairs, 1988 - 1992

(Resident Officer in Singapore, 1988 - 1990)

Lecturer, Open University of Japan, 1993 - 1995

Lecturer, Tokyo University of Foreign Studies, 1996 - 2007

Associate Professor, J. F. Oberlin University, 1997 - 2002

Lecturer, Japan Maritime Self-Defense Force: JMSDF Staff College,  
1999 - Present

Policy Adviser, Japan Coast Guard, 2003 - Present

Professor, J. F. Oberlin University, 2003 - Present

Lecturer, National Institute for Defense Studies (NIDS), 2006 - Present

Major Publication: 1. Coauthor, *Southeast Asia in the Post-Cambodian Era*, Japan Institute of International Affairs, 1992.

2. Coauthor, *Asia Pacific Region in the Post-Cold War Era*, Japan Institute of International Affairs, 1995.

3. Coauthor, *Asian Security in the Post-Cold War Era*, Government Printer, 1997.

4. Author, *ASEAN Regime: ASEAN's Conference Diplomacy ,its Development and Agenda*, Keiso Shobo Publisher, 2003.

5. Coauthor, *East Asian Regionalism and Japan's Foreign Policy*, Japan Institute of International Affairs, 2003.

6. Author, *The Lion City and the Wind of Malacca Strait*, Mekong Publishing, 2004.

7. Author, *The Japanese Royal Diplomacy in Asia*, Heibonsha  
Publisher, 2007.

## **Australian Participants**

### **Peter ABIGAIL**

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Peter Abigail joined ASPI as Director in April 2005. Prior to that he spent 37 years in the Army before retiring in 2003. Following promotion to Major General in December 1996, he served in a range of senior leadership appointments in the Defence Organisation. As Assistant Chief of the Defence Force (Policy and Strategic Guidance) and then Head Strategic Policy and Plans (Australian Defence Headquarters) (1996-1998) he was responsible for key aspects of Defence policy, military strategy and capability development. As Deputy Chief of Army (1998-2000) he was responsible for managing the Army and its interaction with other Defence stakeholders. In his final appointment, as Land Commander Australia (2000-2002), he commanded all of the Army's operational forces, full time and reserves, including those that were committed to operations in East Timor, Bougainville and Afghanistan.

During his appointment with ASPI he has been a member of the Defence and National Security Advisory Council to the Minister for Defence, The Hon. Dr Brendan Nelson MP, and a member of the Defence White Paper Ministerial Advisory Panel for the Minister for Defence, The Hon. Joel Fitzgibbon MP. He was appointed to the ASPI Council in March 2007.

### **Richard ANDREWS**

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Richard Andrews was appointed Minister-Counsellor (Political) to the Australian Embassy, Tokyo in December 2008.

He previously served in a number of positions in the Department of Foreign Affairs and Trade, both overseas and in Australia. These include postings as Head of the Political and Trade Policy Branch in the Australian High Commission in London (2002-2005) and as Counsellor in the Australian Embassy in Tokyo (1996-1999). He has also served as Second Secretary in the Australian High Commission in Kuala Lumpur. In Canberra, prior to taking up his current position he was Executive Director of the Economic Analytical Unit (2006-2008) and Director of the Trade Policy Section in the Office of Trade Negotiations (2005-2006). He was the Director of the Budget Management Section from 2000-2002, and headed the Chemical and Biological Disarmament Section in 1999-2000. He is a fluent Japanese speaker with a first class honours degree from the University of Sydney majoring in Japanese History, and has also spent time undertaking research at Kansei Gakuin University and as a student at Kobe Prefectural High School in Hyogo Prefecture. Before joining the Department he worked as an assistant to the Sydney correspondent of the Nihon Keizai Shimbun. His hobbies include golf, listening to classical music, and reading.

## **Andrew DAVIES**

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Andrew has been with ASPI since 2006. He has written extensively on ADF capability and force structuring issues, including hardware options, industry issues, decision-making in the Department of Defence and ways of more effectively employing Reserve forces. Before joining ASPI, Andrew spent twelve years in the Department of Defence. With a background in Physics, he joined the Department as a research scientist working on force-development issues, before moving on to managerial roles in capability analysis, signals intelligence and project management.

## **Brendon HAMMER**

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Dr Hammer has been serving as Deputy Head of Mission at the Australian Embassy in Tokyo since February 2010. Dr Hammer returned to the Department of Foreign Affairs and Trade (DFAT) in June 2009 to head its South-East Asia Division. From May 2004 he was Deputy Director-General at the Office of National Assessments (ONA) where he oversaw development of assessments across the full range of international developments impinging on Australia's international interests.

From April 2002, he served in DFAT as Assistant Secretary for the Americas – encompassing the countries of the North and South American continents – Assistant Secretary Iraq Task Force, and as Assistant Secretary Parliamentary and Media, which entailed liaising with members of the Australian Parliament and Australian journalists on foreign policy matters.

From March 1999 to April 2002 Dr Hammer was Assistant Secretary for Defence, Intelligence and Security in the Department of the Prime Minister and Cabinet (PM&C), where he was responsible for advising the Prime Minister, the Secretary of PM&C and the Secretary to Cabinet on defence, intelligence and security matters, law enforcement matters and on crisis response to natural disasters.

From March 1998 to 1999 Dr Hammer was Director of the Nuclear Trade and Security Section in DFAT, and before that, from March 1995 was First Secretary and then Counsellor (Political) at the Australian Embassy in Washington, where he liaised with the US Government on a range of arms control and national security matters including, WMD proliferation and nuclear and conventional weapons policies; US relations with Persian Gulf countries; US relations with South Asian countries; US relations with other American countries; and narcotics control matters.

From March 1993 to 1995 Dr Hammer worked as a Deputy Director in DFAT and was involved primarily in chemical and biological weapons arms control negotiations. Before that, from September 1989, he was a member of the Strategic Analysis Branch at ONA drafting assessments on WMD proliferation and civil science.

Dr Hammer has a PhD in Chemistry from the Australian National University. He is married to Inge Sugani and has two daughters, Rosemary and Julia.

## **Rod LYON**

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Dr Rod Lyon is the Program Director (Strategy and International) at ASPI. He joined the institute in October 2006. Previously he was a Senior Lecturer at the University of Queensland, where he taught courses on international security, conflict, and civil military relations. He worked in the Strategic Analysis Branch of the Office of National Assessments from 1985 to 1996. He was a Professional Fulbright Scholar at Georgetown University during the latter part of 2004, researching a topic of alliances and coalitions in the post-9/11 strategic environment. He has authored a range of publications in both academic journals and at ASPI. His major ASPI works include 'Forks in the river: Australia's strategic options in a transformational Asia', and 'A delicate issue: Asia's nuclear future'.

## **Greg RAYMOND**

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Greg is currently Director of the Strategic Policy Guidance section in Strategic Policy Branch in the Australian Department of Defence where he is responsible for the development and promulgation of Australian strategic policy, including through preparation of Defence White Papers and the classified Defence Planning Guidance. Before commencing in this role, Greg was posted in Thailand as Australia's Defence Technology and Management Adviser to the Thai Ministry of Defence 2005-2008. Greg's broader experience in the Australian Defence organisation (ADO) since joining in 1996, includes significant experience in the domains of international policy, intelligence and capability development. Greg graduated from Monash University in Melbourne with a Master's degree in Asian Studies (Politics) and is currently undertaking part-time PhD study focussing on Thailand's strategic culture. He is a graduate of the 2004 Australian Defence Force School of Languages Thai language course.

## **Malcolm SELKIRK**

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Group Captain Selkirk joined the Royal Australian Air Force as a Cadet at the RAAF Academy in 1974. He completed a Bachelor of Science degree in 1976 and a Graduate Diploma in Military Aviation in 1977. He was awarded the Sword of Honour on graduation. He transferred to the Education Specialisation in 1979.

After a number of instructional and management postings, Group Captain Selkirk was promoted to Squadron Leader and was posted to Air Force Headquarters, responsible for Training Policy, Plans and Research. He completed Command and Staff Course in 1992, gaining a Graduate Diploma in Management Studies. Following a posting to RAAF Williamstown, during which time he was mainly responsible for operational support, he was promoted to Wing Commander and posted to Headquarters Air Command as the senior training officer. Subsequently, he was responsible for operational evaluation across all of Operational Command. He also served as Base Commander RAAF Glenbrook for two years.

On promotion to Group Captain, he was appointed as Director, Training Systems Development at Air Force Training Group. In 2008, Group Captain Selkirk was posted to the Office of Secretary and Chief of Defence Force as Director Policy Development. He

was selected for Defence Attaché Tokyo and undertook Japanese Language training before undertaking the National Institute for Defense Studies course in Tokyo. He graduated with honours from that course and assumed the role of Defence Attaché, Tokyo in August 2011. In that role, he is also the Australian National Liaison Officer to the Headquarters United Nations Command (Rear) in Japan.

Group Captain Selkirk is married to Maxine and they have three children, Allirra, Ellin and Iain. Group Captain Selkirk enjoys Rugby Union, Cricket and Golf. His hobbies are bird watching, fishing and music.



# **Summary**

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**Opening Remarks**

**Session 1**

**Session 2**

**Session 3**

**Closing Remarks**

## Opening Remarks

### **Japan: Amb. Yoshiji NOGAMI, President, Japan Institute of International Affairs (JIIA)**

Ambassador Yoshiji Nogami opened the 7th Japan-Australia Track 1.5 Dialogue and warmly welcomed the Australian delegation to Japan. In light of the recent developments in the regional security landscape since the previous dialogue, Ambassador Nogami expressed his expectations for fruitful and stimulating discussions over the two days which would address timely issues related to regional security such as South China Sea issues and others.

### **Australia: Maj. Gen. Peter ABIGAIL, Executive Director, Australian Strategic Policy Institute (ASPI)**

From the Australian side, Major General Peter Abigail remarked on the changes in the strategic environment and prospects for the future. Furthermore, he felt that there was additional traction in the Japan-Australia bilateral security relationship. A brief introduction of the Australian and Japanese participants followed the opening remarks.

## Session 1

### **Recent Developments in China's Foreign and Security Policy and the Implications for Australia and Japan**

#### **Presentation**

### **Japan: Dr. Yoshifumi NAKAI, Professor, Gakushuin University**

China is facing potential threats on multiple fronts. This elevated threat perception may help to explain China's increasing military budget in recent years – and corresponding rise in US defense expenditures – although as shown in US dollars the figures are slightly misleading given the appreciation of the Japanese yen. Against this background, is it fair to conclude that China has reversed its traditional foreign policy

stance in favor of a more assertive posture? Japan asserts yes, and cites serious repercussions of such changes such as the Senkaku Islands incident. It is possible that China may modify its posture, reverting back slightly to its traditional stance. The present status of the debate appears to indicate a tentative cease-fire within Chinese leadership.

Dr. Nakai spoke about the recent shift of US attention to Asia, both in terms of economic and security issues, which has raised concern in China. China seeks to maintain its strong position in Asia and therefore would benefit from a slower US withdrawal from operations in the Middle East. Dr. Nakai predicted a resurgence in Chinese nationalism in light of the imminent power transition and likelihood of a Chinese economic slowdown. While debate continues regarding the precise time of the slowdown, it is important to assess the implications for the regional and global economy. In addition, social unrest is occurring in both major and small cities across China.

There are four short-term issues for the region, namely the North Korea factor, the Taiwan factor, the Asia factor and the domestic factor. First, concerning North Korea, Dr. Nakai spoke about the recent power transition in the wake of Kim Jong Il's death and the uncertain future of the Six-Party Talks. Second, concerns were raised regarding the implications of the new Taiwanese president, Ma Ying-jeou, vis-à-vis relations with Japan and Australia. In particular, Dr. Nakai felt that the Senkaku Islands issue would be a top priority of the new administration, noting President Ma's campaign pledge not to work with China against Japan.

The third factor was the Asia factor – who would work with the growing economies in Asia? In 2010, Asia represented the lion's share of China's trade by region with Hong Kong and India ranking high amongst China's trade partners. Japan also represented a fairly large share of trade, followed by Malaysia, South Korea, Thailand and Australia. While Chinese exports still exceed its imports, its overall trade has shown a declining trend. In terms of foreign direct investment (FDI) into China, Hong Kong represents 60% according to 2010 figures. Remarkably Latin America also represented a large share of FDI, with 80% of Latin American FDI into China coming from the Cayman Islands, and the remaining 20% from the Virgin Islands. As China endeavors to become more than just the factory of the world, it is important to consider the implications. And fourth, the domestic factor, pertains to China's evasive control of its

armed forces. Furthermore, political instability in Japan could have negative implications for Japan's regional security strategy, while the management of the US-Japan alliance is being tested.

Against such a backdrop, Japan must seek to strengthen its regional partnerships in order to address such timely issues as energy security and the rare earth issue. However, Dr. Nakai expressed his reservations concerning efforts at regional integration such as the East Asia Summit (EAS) and the Trans-Pacific Partnership (TPP). He felt that the timing of the EAS may be too late and noted that regarding the TPP, there was still a lot of debate ongoing. Dr. Nakai was equally doubtful that security coordination through the ANZUS Treaty (Australia-New Zealand-US Security Treaty) would be realized. However, he advocated sharing lessons learned and experiences and felt that low-profile issues such as the environment or maritime safety coordination could be addressed.

**Australia: Maj. Gen. Peter ABIGAIL, Executive Director, ASPI**

In matters of China, proximity matters. As such, Australia's views may differ from those of Japan. Nevertheless, considerable resonances vis-à-vis China remained. Undoubtedly the rise of China has had a significant impact on the dynamics of international economic, political and security affairs. While it remains to be seen if China will become a revisionist power once its development peaks, the current signs do not indicate that will occur as China and its growth have benefitted greatly from a Western-led global multilateral order. China's current status stems from its economic rather than military power. Its leadership is committed to peaceful development, but this commitment does not preclude assertive behavior when Chinese interests are challenged.

The most notable strategic development in regards to China is its increasingly assertive position in territorial disputes. Chinese confidence in weathering the global financial crisis, coupled with the slow economic recovery of Western economies and the strategic distraction of the US beyond East Asia seem to have provided a wealth of opportunities for China. Meanwhile, China's rapid military modernization has attracted significant attention. While on one hand its modernization strategy appears transparent and within reason, in some respects Chinese intentions remain opaque and concerning, particularly with regards to its strategic intentions. Admittedly China's military

modernization has challenged US military dominance in the region, but has yet to generate the global reach as compared with US Forces. In addition to increased military power, China has also demonstrated its ability to exercise diplomatic, economic and political instruments in order to achieve its security policy objectives. One such example is the use of paramilitary forces to exert influence over interests in the South China Sea, allowing China to both remain below the threshold of naval intervention and stall resolution of the issue.

As China enters a new and challenging phase of its development, it will be faced with important domestic concerns such as management of external resources and imbalances between political, economic and social reforms. While it remains to be seen how China will exert its increasing global influence, it is worth noting that China is tightly integrated into the international system and at present does not exhibit intentions of becoming a revisionist powers. Furthermore, China must contend with other strong powers in the region in an environment in which it finds itself strategically alone.

China and the US appear to be in the initial stages of strategic competition in the Asia-Pacific region. Coinciding with increased Chinese assertiveness, the US pledged continued engagement in the Western Pacific which was welcomed by most nations in the region. The Chinese and US militaries are regarded as putative adversaries and are each developing concepts to defeat the other, for example, China's focus on an anti-access concept and its increasing reliance on conventional ballistic and cruise missile capabilities. Meanwhile, the US is developing an AirSea Battle doctrine to counter the anti-access concept with long-range conventional strike and distant blockade operations. The doctrine will have significant implications for the US Global Posture Review and its allies.

Australia pursues a dual-track strategy with China as its primary economic partner and the US its primary strategic partner. While there is speculation that Australia will be forced to choose at some point, for the moment Australia stands committed to support US engagement in the region and is prepared and preparing to do more with the alliance and beyond to maintain strategic stability in the Asia-Pacific.

Regional nations seek community development, and recognize the stabilizing role of the US. Many are also watching India which it is hoped will be a balancer to rising

Chinese influence. The EAS provides the most likely mechanism to promote community development at the moment, particularly now with US and Russian involvement. A layered web approach of bilateral and mini-lateral arrangements is taking shape, and increasing involvement on the part of Australia, Indonesia and South Korea can be expected. Undoubtedly the rise of China has had significant implications for Australia's security environment, but China's growth has also offered increased prosperity for many. All players in the region have a shared interest in continued growth which is underpinned by regional stability. As such, a sensible approach would be to accept China's great power status, accommodate its expanding legitimate needs and interests, but also hold it accountable to the rules-based international order.

### **Discussion**

A **Participant** held the view that at present Chinese foreign policy direction remained ambivalent. China is attempting to strike a precarious balance between maintaining the current regional order which has underpinned its remarkable economic development, while at the same time struggling to exert its appropriate place of increasing stature in a new order that is emerging. Presumably China is concerned about US reengagement in the region. However, recent developments such as the deployment of US Marines to a facility near Darwin make it difficult to gauge the level of Chinese concern. Historically, Chinese concern has increased commensurate with the proximity to Chinese borders. However, there appears to be a certain acceptance of the US refocus in the region.

The nationalism debate is less about policy and more about how to maintain domestic stability and continuing economic growth. It is likely that we will continue to see a rising China. It is also important to consider the strategic implications of the rise of some of the other industrializing latecomers as these new economies play a larger role. There are many ideas of how to accommodate China into this new environment. First is to ensure that Asia remains integrated in the global economy so that globalization continues and to avoid a Sino-centric Asia from emerging. Second, to have an inclusive strategy with China. And third, there should be a backstop strategy for Asia in which globalization does not continue and China is not a reassuring power. While the exact architecture of such a strategy remains unclear, it may include an upstream positive relationship building and downstream hedging.

A **Participant** informed that in 2011, the US and EU accounted for approximately 46% of China's trade. Moreover, the US and EU accounted for 42% of China's total trade surplus. This raised concern regarding China's economic structure. Following the Lehman collapse in 2008, China's domestic economic structure skewed toward fixed capital formation. Prior to 2008, it was fairly balanced with trade, private consumption, and fixed capital occupying equal proportions. However, following the global financial crisis in 2008, fixed capital formation accounted for nearly half, while trade and private consumption dropped to 20% and 30% respectively. It remains to be seen if this situation is sustainable. China also has significantly large foreign exchange reserves, which means fairly large capital inflow. The balance between gross foreign exchange reserves and net external assets rests on capital inflow, and capital inflow can disappear at any time. Thus China's huge capital inflow represents vulnerabilities in the domestic economy. Furthermore, there appears to be a dichotomy between the public perception of China's future growth potential and the concern among leadership vis-à-vis China's economic vulnerabilities.

A **Participant** inquired about the position of China in Australian diplomacy and strategy. From an outsider's viewpoint, it appears that Australia possesses strong strategic and security ties with the US, while at the same time values its economic relationships with China. It is therefore in the best interest of Australia to prevent direct confrontation of the two superpowers. In this regard, middle power countries like South Korea play an important role in maintaining the balance between China and the US.

A **Participant** stated that the public sentiment in Australia vis-à-vis China varied and that many Australians lacked a deep understanding about China. The fact that China represents the largest market for Australian natural resources has led to a prevailing view that China has leverage over Australia and that Australia is therefore vulnerable. But in fact China needs Australia more than Australia needs China. Australia provides the natural resources that are vital to continued Chinese economic growth. Nevertheless, politicians must strike a balance between public perception and the strategic realities and while Australia politically treads on middle ground, if forced with a decision, it would ultimately side with the US and Japan.

A **Participant** added that China is a significant factor in the new strategic environment. Two things emerged from the global financial crisis: China's continued economic

growth and the successful implementation of defense capabilities which have shifted the military balance in China's favor. Coinciding with such developments, a series of incidents in 2009-2010 could be regarded as signs of increasing Chinese assertiveness. Incidents like the imprisonment of an Australian businessman in reaction to the entrance of an activist to Australia, the US-China incident involving the USNS Impeccable and USNS Victorious, and the Senkaku Islands incident. However, regional developments such as the commitment of the US to join the EAS, and regional pressure on China through fora such as the ASEAN Regional Forum (ARF) could prompt China to step back and recalibrate its foreign policy direction.

It remains to be seen if China possesses a grand scheme. At the moment China affords top priority to party preservation, which is followed by territorial integrity, and resource security. Against such a backdrop, where does Australia stand? From a defense strategy point of view, Australia is promoting "competitive multi-polarity," which is more complex than the traditional US hub-and-spoke alliance. This new order will require better and stronger relationships with a new set of emerging Asian powers, as well as strengthened relationships with existing Asian powers. Nevertheless, the US-China relationship remains a critical one which provides both risks and opportunities. The economic relationship between the two has inherent opportunities and the US appears genuine in its desire to advance economic cooperation. But incidents at sea, the domains of cyberspace and outer space, and North Korea also present risks.

The next **Participant** spoke from a foreign policy viewpoint. The regional environment is changing, and while no one can predict how the Chinese growth story will end, it is almost certain that the power balance will be significantly different in 20 or 30 years, which should not be regarded as a negative. Ideally in the new world order, China is an engaged and constructive player in the regional and international community. To this end, Australia and its partners should aim to create regional and global norms and institutions that allow China to assume that role, while at the same time creating incentives for newcomers to be constructive and engaged players. At the same time, it must also hedge against an alternative outcome. Acknowledging that direct confrontation between the US and China would be bad for Australia, and bad for the region, it would be essential to encourage transparency in China's intentions and capabilities as it is in China's best interests to preserve regional stability.

On the issue of trade, it is interesting to note that in the same year China became Australia's largest trading partner, overtaking Japan, China also became Japan's largest trading partner, overtaking the US. Japan was asked to describe how China fits in to its foreign, economic and defense policies.

A **Participant** spoke about the TPP and asked how Australia regards an Asia-Pacific trading mechanism that excludes key players such as China and Indonesia. For Australia, a **Participant** responded, the TPP is first and foremost a trade negotiation. As such, it is in Australia's best interest that its trade partners are involved in trade negotiations and agreements to which Australia is party. Provided it is prepared to fulfill the requirements to join the TPP, there is no reason why China would be excluded from the TPP. Another **Participant** felt that the level of ambition among ASEAN for TPP was very low at the moment and questioned the ability of China and Indonesia to join the TPP in the near future.

A **Participant** added that the conclusion of a high-level US-China trade agreement would intrinsically remove one of the major impediments to the WTO Doha round. In addition, we are beginning to witness a lack of coordination and coherence in the decision making process where the activities of the People's Liberation Army (PLA) are not necessarily compatible. If China cannot be expected to act as a single entity, it may require more effort to encourage it to become a responsible international player.

A **Participant** reminded that there are many aspects of trade, including trade liberalization. It remains to be seen if the Chinese government has the capability to implement a large-scale global trade agreement. In particular, there is concern over China's ability to implement some of the requirements of the TPP, for example, domestic regulatory assistance.

This prompted further discussion concerning China's place in the TPP. A **Participant** stated that if China can fulfill the requirements to join the TPP, *prima facie*, there should be no reason to prevent its entrance. The challenge would be to position the TPP as a catalyst for further economic growth, similar to the way that China's entrance to the WTO fueled its economic emergence and required it to implement extensive domestic reforms in order to do so.

In response, a **Participant** added that one of the key ambitions of the parties to the TPP was zero tariff levels among the economies over time. Under this scenario, China may feel disadvantaged by that goal if it were outside such a group that contained two or three of its major trading parties, regardless of the domestic regulatory implications.

Having overseen China's entrance to the WTO, a **Participant** reported that China was still working to implement some of the agreements made prior to their entrance. Can China be part of a larger institutional framework? China's repeated claim that it is still a developing country sends the message that while they are not a revisionist power, they are also not willing to live up to the obligations inferred by their growing economic status, and it is uncertain when China will cease to add this caveat.

In order to clarify his/her remarks, a **Participant** added that accommodation, not appeasement, would be required in relations with China, coupled with a calibrated preparedness to accommodate legitimate claims by China.

When making speculations about the incoming leadership in China, it is important to consider that Xi Jinping is a son of the era of reform and prosperity and what implications that may have on China's foreign policy direction. Chinese policy vis-à-vis Taiwan changed significantly from the Jiang Zemin era to the Hu Jintao era. Going back to the issue of trade, the figures showing Asia trade which were derived from China's 2010 Statistical Yearbook include trade with Taiwan and Hong Kong, as well as internal trade among Chinese enterprises and as such the actual figures may be significantly smaller.

A **Participant** spoke about China's self-image as a global power and that Chinese aspirations as such are focused on the international stage. In addition, a recovery of the "great nation of China" is a possible national target.

Session One was closed with a remark that on the issue of China as a single entity, there appears to be a uniform objective of maximizing effort.

## Session 2

### The South China Sea and Maritime Security

#### **Presentation**

#### **Australia: Dr. Andrew DAVIES, Program Director (Operations and Capability), ASPI**

Issues of maritime security can be broadly classified into first order and second order security issues. First order issues are security issues involving states and can include major power rivalries, territorial disputes, issues related to resource exploitation and resource security, and interpretation of laws of the seas. Naval engagement is expected in first order issues. The latter set consists of constabulary issues involving non-state actors such as piracy, human trafficking and illegal fishing. In these cases, involvement of coast guards and paramilitary is expected. The confluence of the above factors makes the South China Sea a particularly difficult area to manage.

In general, consensus is easily reached on second order issues as direct interests of states are not involved, and as such provide opportunities for cooperation among countries. One such example is the recent maritime surveillance cooperation among Indonesia, Singapore and Malaysia. However, the line between first and second order issues can become blurred, for example, if a state uses its fishing fleets as an arm of national power. Similarly, the recent incident involving China in the South China Sea could be regarded as a deliberate attempt to disguise first order issues as second order issues, although they may also be the result of a lack of coherence in central control.

Undoubtedly confidence-building measures (CBMs) in second order issues offer benefits, but do not automatically lead to an increased willingness to resolve first order issues. What is required is a meeting of like-minded states in order to tackle first order issues, even if the resolution is to not reach a resolution. One such example is the Australia-East Timor Treaty on Certain Maritime Arrangements which stipulates that the boundary will remain undefined for the next 50 years, and outlines how revenues will be split from the resources in the disputed territory. It is more difficult to reach an agreement on first order issues when states come to the table with conflicting interests,

for example, territorial disputes. These are often disguised as resource issues but in fact are really issues of sovereignty.

The South China Sea is comprised of coastal states as well as countries with blue-water navies and there are times when their respective views conflict. Increased internal stability is also driving rising investment in military platforms designed for external power projection and as a result, sophisticated platforms, like submarines, are being acquired by countries that may lack experience in properly operating those platforms. In addition the growing number of submarines in the region – Vietnam is in the process of acquiring six; Singapore, four; Malaysia, two; Indonesia, six – will lead to an increasingly congested and contested space which in turn increases the potential for accidents or miscalculations.

An additional source of vulnerability for the region is the fact that nearly half of the world energy trade passes through the Straits of Malacca which sits at the junction between the Indian Ocean and the South China Sea. Any threat to the safe navigation of this trade would likely trigger a response from the countries dependent on those resources. Given the necessity and vulnerability of the South China Sea, the creation of a multilateral mechanism to manage incidents at sea is desirable. Such a mechanism should also include a framework to discuss issues and lessons learned following an incident.

The rise of China has essentially destabilized the previous regional order in which the US served as the de facto guarantor of maritime security. Under this order, Australia and Japan, through their respective alliances with the US spent 1-1.5% of GDP on defense, but this era is coming to an end. While it seems that many regional nations are content with the status quo, it is clear that China cannot accept an order in which the US is responsible for China's energy security. This sentiment is only exacerbated by the development of a US maritime strategy which includes potentially imposing distant blockades on countries like China and development of long-range strike capabilities to counter China's advanced power projection capabilities.

There has been reluctance in China regarding agreements on freedom of navigation or incidents at sea because the US strategy remains to keep the seas open. China now finds itself in a situation where it is benefitting from the current world order, but is unwilling to maintain the current balance of power. The final architecture of the new

world order has yet to be finalized, but may require some concessions in order to accommodate China's concerns.

**Japan: Dr. Koichi SATO, Professor, J.F. Oberlin University**

The South China Sea is a vital highway for one-third of the world's trade, and over half of world oil and gas trade. It is also rich in marine resources as well as oil and gas deposits. By Chinese estimates, the South China Sea may hold 168-220 billion barrels of oil reserves, although the US Geological Survey estimates 28 billion barrels. The economic value of the South China Sea has led to territorial disputes in the region with China, Malaysia, the Philippines, Brunei and Vietnam all laying claim to some or all of the Spratly Islands.

Recent developments in the area include several notable incidents at sea in 2011 such as the harassment of a Philippine seismic survey vessel by the PLA navy; the cutting of a seismic survey cable of a Vietnamese oil exploration vessel by the Chinese State Oceanic Administration in Vietnam's EEZ; and the ramming of a survey cable of a patrol vessel by the Chinese fishing boat in Vietnam's EEZ.

The assertion of growing Chinese assertiveness stems from the increase of naval exercises held by the PLA Navy in the South China Sea and Pacific Ocean. This move has been met by an increase in naval exercises by other regional navies in partnership with Western navies. In July 2011, Japan, the US and Australia conducted a joint trilateral exercise in the South China Sea which was regarded as an effective demonstration of world deployment capability. In fact, following this exercise the PLA Navy ceased naval exercises in the South China Sea. In addition, the maritime skirmishes with the Philippines and Vietnamese were reconciled.

In 2005, China, together with the nations of ASEAN, began negotiations for the implementation of the Declaration on the Conduct of Parties in the South China Sea (DOC). According to Prof. Carlyle Thayer, the final guideline was formulated at the ASEAN-China ministerial meeting in July 2011 after nearly 21 amendments to the draft.

Although China's military build-up has sparked concerns among its neighbors in the region, many still question the true capabilities of the PLA Navy. A look at its warship

capabilities reveals that only 9% of Chinese warships have adapted gas turbine engines. The lion's share of its warships still rely on diesel engines which require a stoking time of four hours. In terms of tankers, China possesses five, which is equivalent to that of the Japanese Maritime Self-Defense Force (JMSDF). By comparison, the US Navy has 14 tankers. The PLA Navy dispatched an escort fleet for merchant ships to the Gulf of Aden 10 times between December 2008-2012 and it appears to be testing newly developed gunboat tankers and crew in the Gulf of Aden.

The PLA Navy is in the beginning stages of blue-water navy status. The PLA Navy conducted exercises in the near sea area of Japan from 2010-2012. Each time, a JMSDF destroyer was dispatched to observe the exercise. In response, China deployed its naval and paramilitary helicopters which harassed the JMSDF destroyer, coming within 90 meters of the vessel on five occasions.

At present, the PLA has 57 submarines, but its submarine-launched ballistic missile (SLBM) capability remains quite limited. In addition, its aircraft carrier is not equipped with steam catapult which limits the payload of its aircrafts. It is worth noting however that the PLA's Julang 1 (JL-1) SLBM 2,150-kilometer shooting range is sufficient to cover most of the Japanese islands.

Given these potentially worrisome developments, cooperation is essential in the South China Sea. At the third international workshop, "The South China Sea: Cooperation for Regional Security and Development" in November 2011, some proposals were put forth to promote such cooperation, though time has not yet come to realize them.

## **Discussion**

A **Participant** felt it may be necessary to reexamine the current norms of the laws of the sea in order to accommodate Chinese concerns, particularly with regard to freedom of navigation. It is possible that China's views vis-à-vis freedom of navigation will change if and when it increases its maritime power. The emergence of new norms would depend on the relative balance between the US and its allies on one hand, and China on the other as it is doubtful that China will emerge as a challenge to US dominance in the foreseeable future.

Territorial claims are one of the most significant first order security issues, stated a **Participant**, as they can be powerful drivers of war. As outsiders, Japan and Australia may exert limited influence in the resolution of territorial disputes in the South China Sea. External parties are faced with four options. They can compete, resolve, ignore or give preference for certain modes of resolution, with the latter two options most likely. The role of outsiders has yet to be defined as well as the limits of a possible dispute in the South China Sea. The participant wondered how long the fuse would last in this area. For example, would a dispute between Vietnam and China prompt involvement of external parties? It is important to consider the prospects of escalation given the importance of the region.

A **Participant** observed that in session one, there was the conclusion that one approach for dealing with China would be to accept its great power status while holding it accountable to the rules-based international order. By contrast, in session two, there was the conclusion that the Western view of freedom of navigation may not prevail in the region. The participant questioned why the international order was so easily abandoned.

Addressing the point regarding a possible shift in China's view of freedom of navigation, a **Participant** reminded that China's current views come from a position of maritime weakness. The presenter was not suggesting that the notion of freedom of navigation be abandoned, but rather that elements, such as overt intelligence collection operations, could be eliminated.

Another **Participant** felt that the issue at stake was not freedom of navigation, but rather the width of the territorial sea. The very basis of the law of the sea provides for free navigation once beyond the territorial sea, excluding functional jurisdiction in the EEZ (exclusive economic zone).

Going back to the comment about the role of outsiders, a **Participant** felt that outsiders should play the role of honest broker. As such, China and ASEAN should cooperate for the settlement of disputes, while outsiders like Japan, Australia and the US would carefully intervene if China were to misuse its maritime power. Adding to the previous speaker's remark, a **Participant** stated that territorial disputes by their very nature were local affairs. As such, external parties were not effective arbitrators. In order to be successful, a mediator must be free of any conflict of interest and be

trusted by all the relevant parties, requirements which Japan, Australia, nor the US could fulfill.

Addressing the previous point about the honest broker, a **Participant** reiterated that external parties do not make effective mediators. It was also noted that the Japan-US alliance provides deterrence, but there is no intention to draw the US into the Senkaku Islands issue.

A **Participant** informed that the United Nations Convention on the Law of the Sea (UNCLOS) does not include specific provisions for military intelligence operations conducted in an EEZ. Therefore, in the absence of such provisions, the US-established norms should prevail. However, there are four countries with differing interpretations of rights of coastal states in the EEZ, namely China, India, Iran and Guyana. China asserts that it is not opposed to the free navigation of merchant ships in the EEZ, only those intended for military intelligence gathering.

A **Participant** asked if the South China Sea issues had become easier to solve given developments such as China's rapid economic growth.

In response, a **Participant** agreed that much had changed over the past 17 years, and that most of the developments had been to China's advantage. There is speculation that China may be deliberately delaying a resolution to the issue so that it can assert its position as the dominant power in the South China Sea.

A **Participant** underscored Australia's position on the South China Sea issue by reiterating that Australia does not have any claims to the region, nor does it take a position on any of the claims. It supports a peaceful resolution to the disputes. The Antarctic Treaty is an additional example of an effective agreement to ignore a dispute. The participant added that territorial disputes carry different weights in the psyches of the claimants. The South China Sea dispute is very symbolic for the PLA and Chinese Communist Party and appears to be a part of efforts to restore Chinese unity and territorial integrity.

In relation to the interpretation of UNCLOS, China may not be in the best position to argue its interpretation as it does not strictly adhere to the UNCLOS process, given, for example, China's avoidance of clarifying the basis of its territorial claims. As such,

any discussion on the UNCLOS interpretation would be difficult in the absence of a sense of good faith and trust amongst the negotiators.

A **Participant** noted that there appears to be an intellectual offensive on South China Sea issues taking shape in China, and he/she cited the expansion of the National Institute for South China Sea Studies and the provision of money to study history and international law. Taking these developments into account, it will be important to enhance the intellectual capacity of Southeast Asian claimants who may lack international law expertise given that many of the issues are being discussed behind closed doors between China and its Southeast Asian counterparts.

Revisiting the issue of freedom of navigation, a **Participant** commented that during the Cold War, the former Soviet Union took a similar position to China vis-à-vis freedom of navigation. However, as its naval forces expanded, its views became more aligned with the US. One of the presenters was asked to share his views on incident at sea (INCSEA) agreements as well as Code of Conduct (COC) in the South China Sea.

A **Participant** responded that there was little difference between INCSEA and COC. Agreements negotiated between like-minded parties are obviously easier to negotiate. However, agreements between parties who are in strategic competition are also necessary in order to manage escalation.

A **Participant** thanked the presenter for his provocative and informative presentation and then posed a question regarding the coordination of Chinese law enforcement agencies. At times, China has used either a coast guard or fisheries patrol vessel during its naval exercises and the Participant wondered if this was a coincidence.

A **Participant** explained that many of the Chinese maritime enforcement agencies lack large vessels. Therefore, vessels of the Bureau of Fisheries and the State Oceanic Administration are used. Recently, State Oceanic Administration vessels have been involved in incidents with Vietnam which have resulted in a negative perception on the part of Vietnam. The Vietnamese expect that the State Oceanic Administration will unify all vessels and assume control. While the incidents between China and Vietnam appear to be an accident, they indicate a lack of coordination.

According to a **Participant**, Japan is of the view that territorial disputes in the South China Sea should be handled by the parties concerned. As such, Japan and Australia should remain uninvolved. However, the Japanese government is interested in COC because as a dispute management mechanism, the COC will likely contain CBMs. In the event that CBMs such as prior notification of military exercises in the South China Sea were set forth in the COC, Japan would oppose it as it infringes on freedom of exercise in the EEZ. Regarding INCSEA, the US is not convinced that INCSEA should be introduced in the South China Sea and US support is vital to promote CBMs in the region. Codes of Unexpected Encounters at Sea (COUES) may serve as an alternative to INCSEA. On another matter, Japan wishes to provide technical assistance to the Philippine coast guard and navy. The US is providing Hamilton-class vessels and Australia has provided eight coast guard vessels to the Philippines. As such, coordination is necessary in order to prevent duplication of assistance.

A **Participant** added that there are many similarities between COUES and INCSEA. COUES used for piracy operations in the Gulf of Aden have been very effective. However, there are some countries that do not adhere to COUES.

Next, a **Participant** clarified that the Acquisition and Cross-Servicing Agreement (ACSA) between Japan and Australia applied only during peace time.

A **Participant** stated that there is consensus that the US should not be directly involved. But at the same time, there is the feeling that the US backing of Southeast Asian nations is an important influence in the region. The speakers were asked if they felt that the US was at a disadvantage since they were not a signatory to UNCLOS. In response, a **Participant** acknowledged that while it would be beneficial if the US were to join UNCLOS, in principle, the US feels that it already adheres to UNCLOS in spirit and in letter. Another **Participant** remarked that the issues of concern for the US, namely freedom of navigation through the South China Sea and the ability to conduct military exercises at sea, had been resolved and as such, the US is expected to sign the agreement in the near future.

Next, a **Participant** asked if Australia were truly an outsider, given its obligations under the Five-Power Defence Arrangements (FPDA). A **Participant** responded that the FPDA has limited application which was underscored in the remarks of former

Prime Minister John Gorton that FPDA parties would not be involved in any or every territorial dispute of FPDA members.

A **Participant** spoke about a shootout in 1994 prior to the inaugural ARF meeting between a Vietnamese fishing vessel and a Chinese patrol boat. The incident could have escalated, but the two sides aimed to resolve the issue bilaterally and held vice ministerial-level negotiations behind closed doors to resolve the issue. It is likely that bilateral negotiations may be used to solve similar incidents in the future.

Going back to the question of how long the fuse continues, a **Participant** felt that as time passes, the US and its allies lose leverage. Therefore, it would be better to find a common ground sooner rather than later, but Beijing does not appear to desire an expeditious resolution.

Regarding the Senkaku Islands, a **Participant** reaffirmed that Japan has no territorial dispute. Furthermore, China and Japan agreed in principle to establish a communication mechanism for the management of accidents or incidents in the East China Sea. Such a mechanism could be utilized in the event of incidents in the territorial waters of the Senkaku Islands.

Views were solicited by a **Participant** on China's definition of its first island chain and second island chain. In response, a **Participant** informed that China is rapidly developing its anti-access capabilities. The A2/AD (anti-access/area denial) strategy dates back to the 1995-1996 Taiwan Strait Crisis. The limits of China's ambitions remain unclear. Another **Participant** felt that the first island chain/second island chain concept was too vague. Because the islands are situated at such varying distances from the Chinese coastline, it is difficult to interpret China's requirements for A2/AD in those areas. It is likely that China aspires to become a great maritime power. If and when China can project power beyond its coastline, there will be significant changes in the Asia-Pacific strategic environment.

A **Participant** reminded that it was important to consider the element of capability. The PLA's capability in the first island chain is focused on land-based power, and in particular, land-based air power. Its capabilities in the second island chain are concentrated on force projection capabilities and ballistic missile capabilities. A

**Participant** recommended *Red Star over the Pacific* by Toshi Yoshihara for additional insight into the first island chain/second island chain concept.

The final comments of the discussion period concerned Mahanism. A **Participant** felt that the A2/AD strategy between China and Japan could be regarded as a part of Mahanism. Building on those remarks, another **Participant** noted that Mahan's thinking about the US as a secondary power in the Western Pacific may be worth rethinking.

## Session 3

### Australia - Japan Security Cooperation and the US

#### **Presentation**

#### **Japan: Dr. Eiichi KATAHARA, Professor / Director, Regional Studies Department, National Institute for Defense Studies (NIDS)**

The unprecedented disaster which struck Japan on March 11 revealed both the remarkable resilience of the Japanese people as exemplified in the prompt and effective response, and the weak leadership of the central government. As Japan continues to rebuild in the wake of the disaster, the need for strong political leadership, transparent governance, comprehensive national crisis management strategies, and more robust capabilities has become apparent. Despite the setbacks caused by the March 11 disaster, and severe fiscal constraints, significant developments have been achieved in Japan's national security policy such as the strengthening of the US-Japan alliance, the deployment of the Self-Defense Forces (SDF) in the southwestern islands, the promotion of trilateral (US-Japan-ROK, US-Japan-Australia, etc.) and multilateral security cooperation, and the establishment of new standards regarding the Three Principles on Arms Exports.

For the past 50 years, regional peace and stability has been underwritten by US strategic primacy. Recent shifts in the balance of power, however, have had far-reaching implications for the regional security order. Securing the global commons – air, sea, space and cyberspace – have emerged as strategic objectives of the US. In this context, China's growing anti-access and area denial (A2/AD) capabilities have generated concern among the US and its allies especially at a time when it is expected that both Japan and the US will face further defense budget cuts. The ongoing review of the US Defense Posture Review will have important implications for the US-Japan alliance and it is expected that the US will aim to implement “a more geographically distributed, operationally resilient and politically sustainable force structure in the region.”

Against such a background, there are at least 10 areas for strategic policy cooperation and coordination between Australia, Japan and the US so that Japan's relationships with Australia and the US can become more dynamic. First, Japan and Australia (and the US) should expand cooperation in the area of non-traditional security challenges such as peace-building activities, and climate change, to name a few. At the same time, it is important to continue dialogue on traditional security challenges, including contingencies on the Korean Peninsula. Maritime security issues are becoming increasingly important, particularly in the East China Sea and South China Sea. Intelligence sharing should be strengthened and expanded, and in particular, Japan and the US have much room for improvement. Japan-Australia cooperation in missile defense can be strengthened.

Space and cyber security offer new opportunities for cooperation among Australia, Japan and the US while existing cooperation between Australia and Japan in the area of nuclear disarmament and nuclear security could be further expanded. In the field of regional security architecture building, dialogue regarding the long-term security architecture should include ASEAN and China. Concerning Japan's enhanced security role in the region, it would be important to consider the role of the SDF in the South Pacific and in the Indian Ocean. And finally, the area of strategic communications also presents opportunities. Japan should promote foreign language and strategic area studies education, and also consider the long-term impact of future demographic changes on its security policy.

In closing, Dr. Katahara asked the participants to consider three points: the long-term implications of the US fiscal situation and defense cuts to the US military posture in the region; China's role in the regional security architecture building; and strengthening of Japan-Australia strategic policy cooperation.

**Australia: Dr. Rod LYON, Program Director (Strategy and International), ASPI**

The Japan-Australia bilateral relationship remains strong and Australia supports and promotes future strengthening. Japan and Australia benefit from a solid economic relationship built on shared economic complementarities. Additionally, security cooperation is growing and it is envisaged that ACSA will play an important enabling role to that end. The growth of the 2+2 Meetings can also be regarded as a positive development as well as Australia's participation in Operation Tomodachi in the wake

of the Great East Japan Earthquake. Five years have passed since the 2007 Joint Declaration on Security Cooperation, and Australia aims to further strengthen the Japan-Australia relationship that has been historically defined by economic and diplomatic factors. Strategic distrust and blind spots with other potential partners make such a shift easiest with Japan, although Australia aims to strengthen relations with the US, China and India as well.

The bilateral relationship is not without potential problems, however, which include issues of context and traction. Regional power shifts, coupled with Australia's concerns vis-à-vis the US and more recently Europe, have resulted in a policy agenda that is increasingly cluttered. As such, the Japan-Australia relationship has been forced to compete for more attention in Canberra. At the same time, there is a concern that Japan's focus on its domestic reconstruction will distract its attention away from strategic changes unfolding in the region and Australia is worried that Japan may become sidetracked in the near term. Concerning issues of traction, although the general view of the Japan-Australia relationship is positive and supportive, the relationship lacks traction at a public level as evidenced by Japan's failure to attract media attention in the way that China or the US do. Traction can be defined in many ways, and the relationship is moving forward incrementally. However, the bilateral relationship lacks traction in the sense that there is no big end game that captures the public's attention.

The trilateral relationship among Japan, Australia and the US is supported by three legs: the US-Japan alliance, the ANZUS alliance and the Australia-Japan relationship. The third leg is destined to be the weakest leg, although the other two remain robust. As such it is essential to find additional points of congruence in order to strengthen the Australia-Japan relationship. Two Lowy analysts referred to the Trilateral Security Dialogue (TSD) as a meeting of "reluctant realists," and their analysis raises two questions: Where does realism lead and is there an agenda beyond the emergency response and soft non-traditional one? The potential sale of Japanese arms to Australia has been cited as an example of future cooperation. But there is also a need to consider strategic cooperation opportunities in addition to defense cooperation. This will lead to an assessment of the prospects for a prosperous and stable Asia which is not underpinned by US primacy. In Australia, such assessment is centered around upstream strategic issues and downstream defense issues.

Upstream issues include strategies to increase the prospects of a brighter Asia. There is a shared interest in a new US footprint in Asia and the formation of a new regional order in which Asian countries assume a larger role with continued US engagement. It will also be important to find ways for Asian countries to contribute to and broaden the interlinked systems of reassurance and deterrence upon which regional security in Asia depends. There is also joint interest in the future of Southeast Asia, particularly a prosperous and engaged Indonesia, and shared interest in maritime security.

Downstream, there is a shared interest to remain key regional players in an age of austerity as well as shared concern vis-à-vis the future credibility of US extended nuclear deterrence. The fields of space and cyber offer new opportunities for cooperation, and finally, there is joint interest in power diffusion in a darker Asia.

## **Discussion**

The first comment by a **Participant** questioned why the Japan-Australia leg of the trilateral relationship was weakest. Secondly, the participant asked about the Australian perception of China. One area of opportunity between Japan and Australia could be to solicit the involvement of Southeast Asian nations in security cooperation. Lastly, the participant drew attention to the recent ranking of think tanks by the University of Pennsylvania, noting that security-related think tanks in Asia-Pacific were nearly non-existent in the rankings.

Next, a **Participant** spoke about the possibility of the US adopting an offshore balancing role in the future. Australia predicted in its 2009 Defence White Paper that the US would remain the most significant strategic actor toward 2030 which it maintains is still a fairly accurate assertion. Undoubtedly the proposed US\$489 billion cuts over 10 years in US defense spending and the reevaluation of its forward posture will have implications, but a strategic refocus on the Asia-Pacific region can be expected as the conflicts in the Middle East draw to a close. The US will continue to maintain a two-war doctrine and an emphasis on AirSea Battle technologies and as such a US shift to offshore balancer appears unlikely in the foreseeable future. Rather, the US may seek to retain its global power status but with increasing reliance on other centers of power.

There appears to be increasing understanding regarding the importance of maintaining US presence. The US also recognizes the importance of capacity building and views this as an opportunity for trilateral cooperation, such as the joint-use facilities in Darwin for US Marines. Ultimately, although the term offshore balancer is appearing more frequently, it should still be regarded as a future concept.

Next, a **Participant** asked how trilateral strategic cooperation could be strengthened, and solicited views on how to co-opt China. The participant also stated that non-traditional security issues should be utilized more effectively, such as for cooperation on counter-piracy, counter-terrorism, prevention of illegal immigration and disaster relief operations, to name a few. The suggestions put forth by the US regarding cooperative strategy could be diversified and expanded and should be inclusive of China. Australia was asked if there was an intent to coordinate bilateral exercises with Japan in the area of security cooperation.

A **Participant** questioned what a replacement to the San Francisco system might look like and inquired if the public view vis-à-vis Japan was based on Labor Party politics in Australia.

In response to an earlier point raised about the weakness of the Japan-Australia relationship, a **Participant** felt that the primary cause of the weakness was the lack of a formal alliance between the two countries. Japan's force structure is limited by its constitution. Meanwhile, what Australia could bring to Japan's defense cannot compare with what is guaranteed under the US-Japan alliance. Regarding the point about China, the Australian public perception vis-à-vis China varies from day to day. However, the general view of China is that of a dynamic, yet uncertain actor, not an inherent strategic adversary. Speaking to the point of offshore balancing, the participant reminded that the last time the US engaged in offshore balancing was between 1900-1945 and it essentially took world wars to solicit US involvement. It is unlikely that the US will revert to a position of offshore balancer as it would undermine its alliances along the Eurasian rimlands.

While non-traditional security areas provide a strong basis for co-opting China, it cannot end there. A liberal and prosperous regional security order that is not reliant on US primacy depends on Asian contributors to that system. However, Asian great powers have been absent for decades. In the past, Japan has provided assurance

through its disengagement from the system. China and India have been essentially absent. The new security order must encourage both first-tier and second-tier powers to become more committed suppliers of reassurance. Concerning the public view of Japan, Australia stated that there was little difference between the Howard government and Gillard government vis-à-vis Japan.

Going back to the issue of the US offshore balancing, a **Participant** referenced recent argument by Christopher Layne in which Dr. Layne states that fiscal and economic constraints require that the US set strategic priorities which may prompt the US to withdraw or downsize its forces in Europe and the Middle East and concentrate its military power in East Asia. Offshore balancing is a strategy of burden shifting, not burden sharing. By reducing its geopolitical and military footprint in the Middle East, the US aims to reduce the incidence of Islamic fundamentalist terrorist acts directed against the US. In addition, the US must avoid future large-scale nation-building exercises like those in Iraq and Afghanistan for the purpose of regime change. Therefore, a more realistic strategy would be the forward partnering strategy in which US allies and partners would assume a greater responsibility in tackling security issues which would allow the US to decrease its role.

The next **Participant** noted that despite the positive bilateral relationship, there were significant impediments to advancing the relationship. The two parties agreed in general, but were opposed on the specifics. Although non-security issues provide opportunities for enhanced cooperation, it is necessary to consider if an agenda beyond those issues exists and if so, its content. Hard security issues also offer cooperation opportunities, such as in contingency situations. One example is the Korean Peninsula contingency which Australia operates under the UN banner. It was noted that under such circumstances, ACSA would not apply due to a specific exemption clause pertaining to UN operations.

A **Participant** quoted President Obama's remarks that "There is no stronger ally for the US than Australia." As such, attempts to strengthen the Japan-Australia relationship would not be regarded as an attempt to dilute US-Australia security relations, making Australia an ideal partner. With this in mind, the participant asked how trilateral security cooperation could be advanced with a view to co-opt China.

A **Participant** informed that the AirSea Battle concept could involve a distant blockade of China which for Australia could involve a blockade of the Malacca Strait, for example. Japan was asked for their understanding of the AirSea Battle concept and what their increased role may be under such a concept.

In the aftermath of the March 11 disaster, a **Participant** felt there was increased public willingness on the part of the Japanese public to engage in activities that would lead toward a nuclear-free Asia. The participant asked if the idea of a nuclear-free Asia was attractive or feasible.

Going back to earlier remarks regarding impediments to the Japan-Australia relationship, a **Participant** observed that the systems of the two countries operate differently in many ways and the issue of traction is inextricably linked to this fact. It is often the case that incrementalism is most conducive to cooperating in an environment where there are differing views and systems. In terms of desire, the constraint appears to be more on the Japanese side. Australia welcomes increased engagement and coordination with Japan, but there may be limitations as a result of the legal constraints within which Japan operates.

A **Participant** responded that the AirSea Battle concept is an operational battle concept that is not a national security strategy and is part of a larger Joint Operational Access Concept. The AirSea Battle concept is still in the developmental stage and there are likely to be refinements, so it is important not to place too much emphasis on the concept. Trilateral security cooperation is in Japan's strategic best interest. If Japan is to remain relevant, it must be part of the partnerships among major powers, so that it does not become a middle power in the US-China relationship. US-China-India-Japan cooperation also offers interesting opportunities.

The next **Participant** stated that operationalizing cooperation opportunities would require finding a common ground between the two sides. The participant cautioned against limiting future cooperation opportunities based on ACSA as the agreement was developed by Japan and Australia and intended to be a transformative agreement. While the increase in exercises between Japan and Australia was a positive development, the two must aim higher in terms of practical security cooperation and define clear objectives for additional cooperation.

On the issue of US-Japan-China cooperation, a **Participant** referenced a recent article by Zbigniew Brzezinski in which he states “The US-Japanese relationship is particularly vital and should be the springboard for a concerted effort to develop a US-Japanese-Chinese cooperative triangle. Such a triangle would provide a structure that could deal with strategic concerns resulting from China’s increased regional presence.”

The next **Participant** spoke about the unstable political situation in Australia and asked the Australian delegation for its views on the security policy of the opposition coalition. Furthermore, would a change of stance be likely in the event of a change of government? Lastly, in Australia’s view, what were the most suitable areas for security cooperation in the context of the TSD?

The next **Participant** asked if Australia regards Japan as an uncertain power. Furthermore, does the lack of traction in the bilateral relationship stem from concern about Japan’s future? In terms of US-China-Japan trilateral cooperation, Australia envisions an active role for Japan, but the participant questioned if Australia regards Japan as an impediment to stronger US-China relations.

Previous comments addressed the issue of a Status of Forces Agreement (SOFA) which does not cover peace-keeping operations (PKO) or humanitarian assistance/disaster relief (HA/DR) operations. The **Participant** stated that there had been attempts within the Japanese Ministry of Foreign Affairs to expand the interpretation of the UNC-Japan SOFA (United Nations Command-Japan Status of Forces Agreement) to include such operations, but without success. Additionally, attempts at the formation of a SOFA-like arrangement that would enable Australian troops to provide HA/DR failed due to the lack of an alliance arrangement. One of the presenters was asked how such a situation could be resolved.

Speaking to the alliance issue raised by the previous participant, a **Participant** stated Japan’s inability and unwillingness to engage in cooperative defense hindered the formation of an alliance arrangement. In its absence, while there were certainly limitations, ACSA provided a framework for meaningful bilateral cooperation. Nevertheless, there was a need to do more. Future participation in military exercises was envisaged. Recently Australia came to Japan to observe the Japan-US bilateral exercise *Yama Sakura* with a view to growing that exercise to a trilateral in the future.

At the same time, discussion was ongoing on defense cooperation agreements. Another **Participant** proposed the idea of a semi-alliance arrangement in order to address contingencies such as on the Korean Peninsula or Taiwan Strait.

In response to questions posed previously, a **Participant** responded that domestic policies are the current driver of Australian politics and the coalition is reluctant to place significant emphasis on foreign or strategic policy. Regarding the TSD, both the Japan-US alliance and Australia-US alliance will be changing footprints and may offer additional opportunities for trilateral cooperation. Secondly, the areas of space and cyberspace represent additional cooperation opportunities. On the issue of how Australia views Japan's future, Japan is currently standing at a crossroads. Until now, for good reason, it has been an under-contributor to regional security. It must now consider how and if it will move from a position of relative disengagement to engagement beyond HA/DR operations. If it fails to make such a transition, Asia will be a less stable and secure region in the future.

Adding to the previous remarks concerning a SOFA, a **Participant** felt that in the absence of a SOFA, there should be alternative legislation to cover HA/DR. Five areas for enhanced cooperation were identified: HA/DR; maritime security, such as joint exercises in the East China Sea or South China Sea; capacity building for peace keeping and peace building; intelligence cooperation; and space and cyberspace cooperation. Another **Participant** added that SOFA pertains to sovereignty-related issues such as criminal jurisdiction and treatment of claims and a SOFA requires Diet approval and public support.

## **Closing Remarks**

### **Australia: Maj. Gen. Peter ABIGAIL, Executive Director, ASPI**

Reflecting back over the two days of discussion, Major General Abigail concluded that the dialogue had successfully fulfilled its original intent and remarked that looking to the future, Japan and Australia must continue to work toward defining shared perspectives and objectives, particularly regarding the shape of future Asia. He thanked the organizers for their hospitality and commended the participants for the productive and stimulating discussion.

**Japan: Amb. Yoshiji NOGAMI, President, JIA**

From the Japan side, Ambassador Nogami underscored the importance of trilateral cooperation in order to ensure secure and liberal institutions and economic conditions for continued prosperity in the region. In closing, he extended his heartfelt appreciation to the Australian delegation for their active participation and contribution and Session Three was adjourned.

# Talking Points

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**Session 1**

**Session 2**

**Session 3**

## Session 1

### Recent Developments in China's Foreign and Security Policy and the Implications for Australian and Japan

Yoshifumi Nakai  
Gakushuin University

#### Living dangerously in Asia

1. Recent Developments in China's Foreign and Security Policy
  - A. Has China revised Deng's directives and decided to take aggressive/assertive foreign policy?: The present status of the debate indicates a tentative cease fire until the coming Party Congress.
  - B. Is China concerned about the recent shift of the US priority toward Asia?: Definitely, yes. China wants to keep its neighbors as friendly as possible. China does not want the US to get out of trouble in Middle East and elsewhere.
  - C. Is China going to drum up nationalism again?: Quite likely. Facing the power transfer, the slowdown of the national economy, and the social unrests.
  
2. Short term issues
  - A. Can North Korea survive?: The prospect of the Six-Party Talks; can Japan work with South Korea and the US as well as China?
  - B. The Taiwan factor: The victory of President Ma Yinjiu, good news or bad?; how far should the economic integration go?: The possibility of China-Taiwan coordination over Senkaku and the South China Sea?
  - C. The Asia factor: Who is going to work with the growing economies in Asia (India, Thailand, Indonesia, Myanmar, Vietnam, Cambodia)?
  - D. The domestic factor: China-the evasive civilian control of the armed forces; Japan-the political instability and the management of the Japan-US security pact
  
3. Desperately looking for friends
  - A. Energy security
  - B. Rare earth
  - C. East Asia Summit (EAS)
  - D. Trans-Pacific Partnership (TPP)

E. ANZUS security treaty

## **Recent Developments in China's Foreign and Security Policy and the Implications for Australian and Japan**

Peter Abigail  
Australian Strategic Policy Institute

### **About China**

- China is an authoritarian state with historical grievances based on what it sees as 150 years of humiliation, but harbouring memories of former greatness, and determined to realise its regional and global power potential. China can also be thought of as an imperial state in the sense that the imperial project that has created China's current borders is not yet complete, with Taiwan and claims in the East China and South China Seas still outstanding.
- China's rise is changing the dynamics of international economic and security affairs. Nonetheless, it shows no sign of becoming a belligerent revisionist power: China, and its growth, has benefited greatly from the Western-led global multilateral order. China will seek to influence and shape that order in the future, but not to defy it.
- The Chinese leadership is committed to 'peaceful development' but this does not preclude assertive behaviour when China's interests are challenged. They are also acutely conscious of the strategic opportunities available in the first two decades of the 21<sup>st</sup> century.
- The most notable strategic development in the past few years has been China's increasingly assertive position in territorial disputes which has unnerved many of its Asian neighbours. The 'charm offensive', which has been the hand-maiden of the doctrine of 'peaceful development', stumbled.
- China's military modernisation is challenging US military dominance in the region but it is, in a strategic sense, alone. The US 'strategic pivot' into Asia foreshadows strengthened re-engagement with Asian allies and partners continuing its 2009 re-calibration of strategy.
- Conflict between China and the US is not inevitable, but a serious strategic competition is underway. The militaries of the two nations view each other as putative adversaries and are each developing warfighting concepts to defeat the other.

### **On regional stability**

- Australia, like many countries in the region, pursues a 'dual track' strategy with China as its primary economic partner and the US as primary security partner. Some suggest that a fundamental choice between the two will be needed at some stage.
- The Australian government signalled its 'choice' in the 2009 Defence White Paper. Then, and since, the message has been clear: Australia is very much on the front foot in encouraging and

supporting US engagement in the region, and is prepared and preparing to do more within the alliance and beyond to maintain strategic stability in the Asia-Pacific.

- Australia's defence strategy has three implicit objectives: (1) ensuring Australia's strategic weight and role in the region; (2) managing shifts in US strategic primacy in the region; and (3) sustaining adequate defence funding. The capability proposals in the Defence White Paper, more recent announcements relating to the ANZUS alliance and US military use of Australian facilities, and the strategic reform program are all directed to these objectives.
- Most countries in the region recognise the stabilising role of the US and the desirability of maintaining US engagement. They also resist the notion of Chinese leadership or hegemony, and most are hedging against China, watching India whilst seeking it to be a 'balancer' to China. India's role will be focussed more on the Indian Ocean than the wider Asia-Pacific.
- Nations are looking for regional 'community' development and appropriate institutional arrangements, particularly in the security dimension. The East Asia Summit provides the most likely candidate, particularly now that the US and Russia are included, but a layered-web approach of bilateral and 'mini-lateral' arrangements is also underway. We can expect to see increasing activism by Asian middle powers (e.g. Australia, Indonesia, South Korea) to ensure a multi-polar Asia and the protection of interests: perhaps, in concert with Japan and/or India.
- China might have over-reached in 2009-2010. Having stumbled, the question is: can the Chinese regain the initiative?
- We all have shared interests in stability and prosperity. We'll 'balance', we'll 'hedge', and we'll 'manage'.
- The sensible approach towards China is to accept its great power status, accommodate its expanding legitimate needs and interests, build a constructive relationship focusing on shared interests, and to hold it to account in the rules-based international order.

## Session 2

### Maritime security and the South China Sea

Andrew Davies  
Australian Strategic Policy Institute

- Maritime security is a multi-faceted concept. Before discussing the South China Sea specifically, a classification is useful:

First order security issues (state versus state)

- major power rivalries
- territorial disputes
- resource exploitation and security
- interpretation of laws of the sea

Second order security issues (involves non-state players)

- piracy
- people smuggling
- illegal fishing

The South China Sea has all of these issues to varying degrees.

It is relatively easy to reach consensus on second-order issues—everyone can agree that piracy is a bad thing, for example. (Although the line between what I call first and second order can be blurred if a state chooses to use, for example, fishing fleets as an arm of national power.)

Second order issues can be a useful organising principle for the cooperation between states—an example being the work that Indonesia, Singapore and Malaysia are doing in maritime surveillance. These are useful confidence building measures.

Similarly, like-minded states can usually reach agreement on the first-order issues—even if the resolution is to not find a resolution, but simply to agree to work around it. An example is the Australia-East Timor Treaty on Certain Maritime Arrangements.

The real difficulty comes when states bring different minds to first order issues—in which case it can be very difficult to reach common ground. In the South China Sea, this is often the case. In particular, territorial disputes are often multi-lateral, and they are related to not only resources issues, but sovereignty issues.

It is also an area where coastal states and maritime states bump up against one another, and interpretations of laws of the sea differ.

At the same time, military modernisation is bringing new capabilities in the form of warships, submarines and air combat capabilities into the area, sometimes in the hands of states that have little experience in operating them.

Maritime security in the region could be improved by:

- A multi-lateral 'incidents at sea' sort of arrangement
- A concerted effort to broker agreements on resources, even if sovereignty has to be put into the 'to be determined' basket

The rise of China has destabilised what was previously a workable, if imperfect, regional order. The United States has served as the defacto security guarantor of the region until now, but that is not an acceptable solution for China in the future—energy security being a paramount concern.

Beijing may judge that time is on its side, and may therefore resist attempts to settle disputes now.

The United States has resisted negotiating an agreement on freedom of navigation or incidents at sea agreement with China, but changes in the power balance in the region may make this inevitable.

The western view of freedom of navigation may not prevail in this region.

[Not for Citation]

## The South China Sea and Maritime Security

Koichi Sato  
J. F. Oberlin University

### 1. Recent Developments in the South China Sea

① Incidents at Sea: There were many maritime skirmishes between the Chinese maritime security agencies and ASEAN nations oil exploration vessels in 2011. A Vietnamese China watcher told that China utilized the maritime security agencies for maritime assertion in stead of the People's Liberation Army (PLA) navy, because they don't want the naval intervention of the external powers.

② Naval exercises: China mobilized the PLA navy fleets for naval exercises in the South China Sea and the Pacific Ocean in 2010. The PLA navy also conducted naval exercises in the Pacific Ocean in 2011. The Vietnamese navy and the Western navies conducted the naval exercises, too.

③ Bilateral Talks: China prefers the bilateral talks to the multilateral talks. The Chinese leaders were reconciled with the Philippine and Vietnamese leaders after the maritime skirmishes.

④ Multilateral Talks: China and the ASEAN nations began the negotiation to formulate the Guideline for the Implementation of the Declaration on the Conduct of Parties in the South China Sea (DOC) in 2005, though the Chinese delegation objected.

Finally, the Guideline was formulated in ASEAN-China Ministerial Meeting in 2011. The Chinese Premier Wen Jiabao also objected the discussion on the South China Sea in East Asia Summit in November 2011, though he could not avoid it.

### 2. China's Rise and the Naval Build-up in the Asia Pacific Region

Much has been said about the Chinese naval build-up. It was said that the PLA navy had a plan of strategic nuclear capability against the U.S.A in the long run. They also made public the plan of construction of two aircraft carriers on 23 December 2008. What is the real capability of the PLA navy?

**Table-1: Comparison of the Main Warships**

	Crew (10000)	Submarine	Aircraft Carrier	Cruiser	Destroyer	Frigate	% of Gas-turbine	Total
U.S.A	32.8	71	11	22	59	28	100%	191
Japan	4.6	16			45	6	76.4%	67
China	24	57	(1)		27	51	9.0%	135
Taiwan	4.7	4				22	54.5%	26
ROK	3.5	23			11	9	55.0%	43
India	5.1	17	1		8	13	54.5%	39
AUS	1.4	6				12	100%	18
Indonesia	3.7	2				6	-	8
Malaysia	2.0	2				2	-	4
Philippines	2.2					1	-	1
Singapore	0.45	4				6	0%	10
Thailand	6.3		1			9	10%	10
Vietnam	1.3	(2)				5	0%	5

Source: *Sekai No Kaigun 2011-2012 [World Navies 2011-2012]*, Ships of the World, Kaijinsha Publishing, 2011, Tokyo.

### 3. The Ways and Means to Promote Cooperation in the South China Sea

Some ideas to promote cooperation in the South China Sea were suggested at the third international workshop, "The South China Sea: Cooperation for Regional Security and Development" in November 2011, though time has not yet come to realize them.

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## Session 3

[personal views only]

### Japan-Australia Security Cooperation in an Age of Change and Austerity

Eiichi Katahara  
National Institute for Defense Studies

#### 1. The Contexts (Strategic and Domestic)

- (1) Anti-Access/Area Denial Environment & Problems of Global Commons
- (2) Domestic Politics in Japan and the US
  - Financial Constraints; Public Opinion; US Presidential Election
- (3) US Defense Posture Review and its Implications for the US-Japan Alliance
  - “a more geographically distributed, operationally resilient and politically sustainable force structure in the region”
  - President Obama’s speech in Canberra, November 17, 2011
  - US Department of Defense “New strategic guidance” January 5, 2012
  - US-Japan Joint Statement on Defense Posture, February 8, 2012

#### 2. Towards a ‘Dynamic’ Japan-Australia (plus US Trilateral) Security Cooperation

- (1) Non-Traditional Security Challenges (peace-keeping, peace-building activities & HA/DR→ACSA(2010), SOFA? , non-proliferation (PSI), climate change, failed states, terrorism, etc.): -bilateral, trilateral & multilateral exercises, capacity-building
- (2) Strategic Dialogue on Traditional Security Challenges (Korean Peninsula, territorial issues)
- (3) Maritime Security Issues (SLOCs in East China Sea & South China Sea, the Western Pacific Ocean and the Indian Ocean), Crisis-management Mechanism
- (4) Intelligence-sharing
- (5) Missile Defense
- (6) Space and Cyber Security
- (7) Nuclear Disarmament and Nuclear Security
- (8) Regional Security Architecture Building: maintaining US presence and managing power shift and China’s rising
  - ASEAN-centered institutions: EAS, ADMM Plus, etc.
  - Multi-layered institutions; US-Japan-China trilateral cooperation?; APEC, TPP
- (9) Dialogue on Japan’s Enhanced Security Role in the Region

-diplomacy and security policy →the South Pacific and the Indian Ocean?

(10) Dialogue on Strategic Communications, Foreign Language Education & Area and Strategic Studies; Demographic Issues: study on immigration policy and its implications?

## Australia-Japan bilateral relations; opportunities for the trilateral relationship with US

Rod Lyon  
Australian Strategic Policy Institute

Bilateral relations in good shape

- At the political level, high level engagement (at Prime Ministerial level)
- Economic relationship solid—built on long years of economic complementarity
- Security cooperation growing
  - ACSA
  - 2 + 2 meetings
  - Australian contribution to *Operation Tomodachi*
- 5 years down the path from the 2007 Joint Declaration on Security Cooperation between Australia and Japan, gradually adding a richer strategic dimension to an historical relationship that has been primarily shaped by economic and diplomatic relationships
- Easiest for Australia to make that shift with Japan than with any other regional great power
  - A legacy of strategic distrust with China
  - ‘strategic blindspots’ in our relationship with India
- Problems tend to be ones of a) context and b) traction
- Context: competing priorities in both Tokyo and Canberra
  - Many priorities in Asia now, and worries about US and Europe
  - In Australia, a Minister of Defence from WA, with a natural tendency to engage Indian Ocean issues and South Asia
  - Effect: the Australia-Japan relationship has to compete more for attention in Canberra (and probably in Tokyo too)
    - We argued in a recent ASPI paper that Japan was starting to replace India as the ‘overlooked’ great power of Asia—overlooked in Canberra at least
    - Obviously, Japan remains focused on domestic rebuilding after the earthquake
    - But Australians worried by the prospect that Japanese ‘engagement’ in Asia might be sidetracked for five years or more

- Traction:
  - the view of Japan in Australia is a positive and supportive one
  - it is characterised by top-level engagement, practical developments, and growing defence-defence relations (which our defence officials say have never been better)
  - but I think the relationship lacks ‘traction’—a sense that the relationship is ‘going somewhere’
    - lack of traction suggests we’re both aiming too low in where we want the relationship to go—the relationship is predictable
    - lack of traction adds to Australian uncertainties about the broader regional security environment

#### Trilateral relationship

- The trilateral relationship turns on the two basic alliance relationships, US-Japan and ANZUS
- So the Australia-Japan leg destined to be the weakest leg while the other two legs remain robust
- Two Lowy analysts (Shearer and Cook) referred to the TSD last year as a meeting of ‘reluctant realists’? (a title Michael Green once used for his book on Japan)
  - Their argument was that all three leaders (Obama, Noda and Gillard) had been pulled towards greater ‘realism’ in their thinking about Asia-Pacific security
  - Is there an agenda beyond the emergency response and soft non-traditional one?
  - If so, what is it?
- Where does realism lead? Is it even right to think characterise the Australia-Japan leg as ‘realist’ in its approach to regional security?
  - ‘Hard’ security cooperation is rare in Asia: and there aren’t many bilateral security relationships in prospect that could be of direct, practical defence benefit to both countries in the same way that Australia-Japan one might be
- But possibility there for something considerably deeper than we’ve seen in the past? Something that our publics would see as both ‘positive’ and strategically important?
  - Some in Australia think about possible Japanese arms sales to Australia in that light, and that might be one example of future cooperation
  - But we should think more broadly of ‘strategic cooperation’ rather than merely ‘defence cooperation’
    - What can we do together (if anything) that increases the prospects for a secure, liberal, prosperous Asian security order in the 21<sup>st</sup> century?

- This is an 'upstream' question, and not a 'downstream' one—it's about increasing the prospects for a brighter Asia, and not just hedging against the possibility of a darker Asia



