



**45th AusCSCAP Meeting (Canberra) and The 'Security and Foreign Policy' Breakout Group at the PwC/ Asialink Consultations (Melbourne) on Australia's Foreign Policy White Paper. (21-22 February 2017)**

The Breakout Group on 'Security and Foreign Policy' - in the PwC/ Asialink QWhite Paper consultations - was chaired of Tony Milner and Ric Smith of AusCSCAP, and comprised of some 20 leading Australian analysts and academics (including three foreign regional specialists). The 45th AusCSCAP meeting in Canberra and the PwC / Asialink Group in Melbourne considered the challenges facing Australia in the region, and how best Australia could advance its national interest in the Asia-Pacific region at a time of increasing uncertainty and disruption, with the need to adjust to the new U. S. Administration, a singular President, the rise of China, and the relative decline of the U.S.

The Group heard distinctive regional perspectives from our overseas guests –Singapore, China and New Zealand. Strategic uncertainty was a constant theme, but given this, attention was drawn to how countries of the region were adopting pragmatic approaches. For example, Singapore was said to be in a 'wait and see' mode as far as US engagement in Asia was concerned, but had gone ahead to identify strategic certainties in the midst of the uncertainty. These demanded a continuing focus on Malaysia and Indonesia, Singapore's neighbours, as each was likely to approach the new uncertainty differently. Malaysia could well 'warm' to the Trump Administration (with the two leaders getting on well, and likely less rhetoric on human rights), while Indonesia, as the world's largest Muslim country, may act differently (Jokowo had so far remained silent about the Muslim travel ban). Singapore had to adjust to a rising China and its perceived more assertive role in Southeast Asia (the role of its expanding blue water navy, and trade / infrastructure links for example), and this could mean that a more 'pragmatic accommodation' will be required. In reference to Australia, our Singapore colleague felt that Australia would be much more effective in exerting foreign policy influence in the region if it acted in concert with ASEAN. Some others felt that ASEAN was not well placed at this time to be an effective and united voice on certain strategic issues of concern.

China at present offers a strategic vision and a grand strategy – particularly through its 'belt and road' initiatives. Its massive investments in regional infrastructure (One Belt, one Road, Maritime Silk Road, new Multilateral banking institutions – AIIB / NDB etc, plus its various security meetings) all exemplified, according to our Chinese guest, the desire for global development and 'peaceful coexistence'. China wanted to be part of the global system, not create a new one, despite its challenge to the existing (Western) rules-based order. He felt that Australia was best served by maintaining a neutral stance in the region, and not taking sides on the several current controversial issues. He left no doubt in the group's mind that joint patrols in the South China Sea by Australia with the US and others, would be seen by Beijing as a belligerent act and damage credibility and trust. The best stance for Australia he suggested, would be for us to remain neutral (U.S. troops in Darwin didn't help), grow our population and economy, and be more open to (Chinese) investment.

As the U.S. appeared to be retreating from internationalism, including opposing a more open trading system, the question was raised will China see this as an opportunity to try to fill the leadership void. While President Xi Jinping's statements in Davos and elsewhere point in this direction, lingering suspicion of China is still present in much of Asia (client states not-with-standing), and Chinese domestic issues could distract leadership ambitions. Others saw developments differently – for example with the

U.S likely to be less 'judgmental' on certain human rights issues, its relationship with some regional countries may in fact improve – Myanmar and China could be cases in point.

An example of the new pragmatism and 'transactional' politics was seen from Japan. Japan has been working to get the US to reaffirm the fundamentals of its posture in Asia (witness Prime Minister Abe's visits to Washington and the way he stated his confidence in the reliability of the Trump regime), and to strengthen its relations with the region, especially Southeast Asia. The political instability of some years ago had now past, and Japan was now perhaps the most politically stable country in the region. Even the economy was growing after many years in the doldrums. Japan was in the enviable position of being neither expansionist nor nationalist, with an open economy and support for globalization, without this being a domestic immigration or jobs issue (as in the U.S.). Japan had adjusted peacefully to being the second power in Asia, despite a new bilateralism emerging between India and Japan, which if not handled adroitly, could be seen by China as containment. Mention was made of the revival of 'quadrilateral' security cooperation - the U.S., Australia, Japan and India - something that Beijing could only see as confronting, and that Australia was advised to avoid.

India, for its part, still had major regional concerns – not only about an erratic Trump Administration. The relationship with China was strained on four counts – the land border with China, where regular skirmishes took place; China's support for Pakistan (corridor infrastructure development); Chinese assertiveness in the Indian Ocean ('string of pearls' strategy under its maritime silk road activities); and the Tibetan issue. To India, a China that five to ten years ago looked a peaceful, revisionist power, now looked highly competitive and much more assertive. India specialists in the room urged Australia to consider India's points of convergence with Australia – both democracies, expanding economic and trading weight, common geo-strategic objectives; its Indo-Pacific concept, and its diaspora (not to mention that it will shortly be the world's largest country population wise). This all pointed to the need for Australia to pay more attention to India in its Foreign Policy White Paper.

Our New Zealand colleague suggested that his country received the news of the Trump Administration "more with amusement than dismay", and is adjusting to the fact that despite uncertainty, co-operation with the U.S., particularly in the Pacific, must continue.

Fragile Pacific states, population pressures, weak governance, muscle-flexing and climate change were all important Pacific concerns that Australia and New Zealand will need to confront in future years. Australia's Defence White Paper (2015) talked of 'strategic denial' in the South Pacific, and any future Foreign Policy White Paper needs to be consistent with this approach. Our NZ colleague went on to argue that China does not react well to uncertainty - prediction being an important part of its Confucian culture. He observed that Washington's actions at the moment were regrettably handing "soft power on a plate" to Beijing. Others commented that China itself, with a major Party Congress for late 2017, had its own internal issues to settle, and while Xi Jinping's second five year term was not in doubt, other factors could distract Chinese claim to leadership in the region.

The consensus in the room was that it was in Australia's national interest to keep the US firmly engaged in the Asia Pacific. The group did not question the continued importance of the US Alliance as underwriting Australia's security, even if some saw this as the time for Australia to use its goodwill and 'political capital' with the U.S. to try to influence Washington into rational and peaceful accommodation with a rising China (and a less cohesive ASEAN). Others felt that while we should not overstate the Trump phenomena, his anti-liberalism and anti-globalization agenda was symptomatic of a larger shift in public and social sentiment, and was unlikely to dissipate quickly. The White Paper therefore should

consider what the world might look like in four (or eight) years, and not assume that Trump was a passing phenomenon. A wish for 'normal services to be resumed shortly' was forlorn.

There was talk about the 'values' that underpin foreign policy. It was agreed that values are not immutable over time, and many felt that the surge in political populism would change established values. Australia was advised to keep certain fundamental values and interests (without conflating the two) as central to its future international relations. While the U.S. appears to be 'backing off' from some of those values (attitudes to immigration, open trading, gender issues, American exceptionalism etc), the rules-based order that has kept Asia secure since 1945, had to be seen as a critical constant. Australia should be skeptical of rhetoric that undermines these basic principles. At the Melbourne meeting, the DFAT representative in the room reminded us that the Foreign Minister attached major importance to values and wanted the White Paper to be rooted in community standards and expectations.

There was unanimous support for Australia becoming more diplomatically energetic and engaged in the near region. It was stressed that Southeast Asia was our neighbourhood, not our 'back yard'; the part of Asia closest to Australia, the region where we have our strongest diplomatic track record, and the region which is (after China) our second largest trading partner.

Australia's economic relationship with China is enormous - we are in trade terms more involved with China than is any Southeast Asian country. Reconciling this China relationship with our close U.S. partnership is a continuing and vital challenge. Working more closely with Southeast Asia does not mean that it is more important to Australia than China – if we cannot gain the trust, goodwill and co-operation of our nearest neighbours – particularly Indonesia – then our efforts in the wider region will largely be wasted. And a closer engagement with Southeast Asia has no 'downside'. We will be a much better ally for America if we better understand the region, and China could only welcome Australia's closer alignment to Asia- dispelling at last the role of 'deputy sheriff'. A stronger relationship with Southeast Asia helps Australian regional influence - including, potentially, with Beijing.

The meeting considered that ASEAN-centred institutions have achieved a degree of acceptance across the region - but they need support. Australia should be active in this respect, perhaps seeking Japanese, South Korean and New Zealand collaboration in this endeavor. From an Australian perspective, ASEAN institutions, for all their limitations, are preferable to some recent non-ASEAN initiatives.

Australia should work with ASEAN representatives to -

- strengthen regional institutions,
- advance the open trading agenda,
- review the 'rules-based system', making it more internationally acceptable, and
- help develop regulations in such new areas as the cyber-sphere and non-traditional security threats.

We must be realistic about what we can achieve, but working with Southeast Asians can build a solid basis for a wider Asian collaboration - including with China. Collaborating in Southeast Asia strengthens Australia's 'Asia' credentials - and in a way that can lift Australian influence in Washington, and does not antagonise China.

3) The optics of engagement matter - especially in leader-to-leader encounters (witness Trump and Abe) and in general, real engagement has to be at head-of-government level. Foreign Minister can

achieve so much – but leaders must do the rest. The regional security architecture allows for such engagement, but bilateral approaches are also necessary.

4) In the current uncertainty, Track 2 is more important than ever – it develops and initiates important personal relations, it assists us to understand different regional perspectives, it offers opportunities to explore new regional strategies, and it all helps to promote Australia’s influence.

On the basis of the Canberra and Melbourne meetings, AusCSCAP prepared the following document, which was included in the PwC /Asialink submission to the Foreign Policy White Paper process. Based on the Melbourne meeting, PwC/ Asialink prepared a formal submission to the White Paper process, dealing with 'Security and Foreign Policy'. The following paragraphs are AusCSCAP's contribution to the Asialink public document.

The focus of the two meetings was the Indo-Pacific region - reflecting the expertise of the institutions and participants involved. Both meetings commenced by exploring regional perspectives on current strategic challenges. Drawing on our networks in the Asian region, we brought several senior regional commentators to Australia for our deliberations.

### Regional Perspectives

Not surprisingly, responses among regional countries to the new Trump Administration vary: while some are concerned, and see potential for a weakening of the US position in the region vis-à-vis China, others foresee better opportunities for their bilateral interests with the US as a result, for instance, of a reduced US focus on human rights and multilateral rule-setting, or of personal relationships they hope can be of advantage. . A 'wait-and-see' attitude is widespread. There is particular anxiety in Vietnam and India – partly about the US commitment to Asia, partly about Chinese behaviour.

In all the discussion of regional perspectives the one term that was widely accepted was 'uncertainty'.

A second impression is that while uncertainty reigns regarding US objectives and strategies, China is perceived to be offering regional leadership - offering a vision for the region, and conveying a determination to implement that vision. One arresting aspect of that vision is a claimed commitment to open trade - in effect hijacking a key plank in US international diplomacy. US soft power has already suffered damage in the Asian region. Some at the meetings, however, felt that even if China was willing to fill the perceived 'leadership gap' left by a reduced regional US presence, it lacked the international good citizenship credentials to do so.

A third impression is that while much analysis of the Asia Pacific/Indo-Pacific has understandably highlighted US-China relations, it is a mistake to discount the growing multi-polarity of the region. Japan, India, the two Koreas, ASEAN (both the organization and key Southeast Asian countries) all - in their different ways - could have an impact on regional stability, and this complexity is likely to become a growing challenge for foreign policy across the region, including for Australia.

### Regional messages for Australia -

Were there any useful messages for Australia in the responses of regional countries to this uncertainty, in addition to the highlighting of multi-polarity?

1. Japan has been especially active - first, in its efforts to maintain the US commitment to the region and secondly, in promoting Japan's specific bilateral and multilateral relations across the Asian region. Japan's post Trump diplomatic initiatives have positioned it well for what appears to be a critical shift toward 'transactionalism'.
2. Singapore (also keen to see the US commitment reaffirmed) reminds us of the constants that must be recognized and worked on, even in a time of deep uncertainty. In Singapore's case, these are the

country's relations with its immediate neighbours - Indonesia and Malaysia- both of which are likely to react differently to the changing regional power dynamics, and to some extent already have.

3. Determined intra-regional relationship building is becoming more pronounced – see Vietnam, for instance, as well as Japan, and to some extent India.

### Recommendations

1. The importance of Australia-US relations was not questioned in our discussions. There was support for Australian efforts to anchor the US in the Asian region, as many regional countries also see US engagement as beneficial to the maintenance of order. China has itself observed advantages in the US presence. Our US alliance, when skilfully managed, remains a strong asset in Australia's regional endeavours.

In seeking continued US commitment, we need to recognize the likely shift to transactionalism, which may mean less emphasis on democratic principles, human rights and 'common values,' and a greater stress on negotiating material objectives. Such transactionalism could shift current international alignments, creating new bilateral relationships, and will probably give added influence to business networks – supplementing or competing with official (diplomatic) processes.

2. Australia (to some extent like Japan and Singapore) should invest with added determination in our regional relations. The countries of Southeast Asia, Japan, India, South Korea and the smaller Pacific states, are all relevant here. Given Australia's economic engagement with China – extraordinary in scale relative to all other countries in the region – the China relationship is vital. Pragmatism and flexibility will be important for Australia - carefully maintaining a balance between China as our major economic partner, and the US as our major strategic partner; and making sure our relationship-building across the region is finessed to avoid Chinese perceptions of containment. The traditional Australia/US basket of values continues to be influential in many parts of the region; nevertheless, deepening Australia's engagement with Asian partners may bring these value frameworks under pressure.

3. Effective regional engagement is not just a matter of building relations on every side. Given that political time and other resources are limited, we must judge which relationships offer the strongest returns. Our most productive strategy is likely to be to highlight Southeast Asia - the region of Asia closest to Australia, where we have our longest and most significant diplomatic track record. ASEAN is our second largest trading partner and has long been considered the region of highest importance from a strategic standpoint. There are no downsides to prioritizing Southeast Asia - the international community expects Australia to be active there; China will not view this priority as antagonistic. Successful Southeast Asian engagement can enhance Australian influence, including in Washington and Beijing. Southeast Asian engagement is important in itself, but it also offers a basis for deeper engagement elsewhere – first, perhaps, with South Korea and India, and then with China itself.

4. What might vigorous relationship building entail? Collaboration and coalition were important words (in our meetings) - working perhaps in the first instance with Southeast Asians, then strengthening our collaborative relationship with India and South Korea and others. The areas mentioned include: collaboration to advance open trade and resist a revival of protectionism; joint deliberations in rule- (and value-) making, including in such uncharted areas as cyber-security and maritime encounters; continued cooperation in the development of regional architecture.

5. With respect to regional architecture, initiatives involving China (and to some extent, Russia) could be a potential challenge to the ASEAN-led institutions which Australia has supported, and which continue to have comparative advantage as the basis for regional architecture. China seems somewhat ambivalent regarding the ASEAN institutions, but not antagonistic. This is probably an opportune moment for Australia, South Korea, India and others to work closely with ASEAN - seeking ways to enhance the practical effectiveness of the ASEAN institutions, joining discussions aimed at coordinating regional processes, and helping ASEAN to maintain and gain wide diplomatic support (including from China and the US). Preserving a rules-based order is more assured if the ASEAN processes can be made more consequential. This said, Australia needs to acknowledge the growing importance of China-led regional institutions, especially the Shanghai Cooperation Organisation (SCO), and exploring potential economic and other opportunities they may offer.

6. It is necessary to recognize that regional engagement needs to be leader-led. This has become an important reality of diplomacy in the Asia Pacific and elsewhere. Japan has recently led the way with contact between leaders, and Australia's interests would be best served by adapting to this trend. With respect to the optics of diplomacy, it is difficult to overestimate the positive regional impact of the image of an Australian leader caucusing with his Asian counterparts.

7. In an increasingly multi-polar region - and one characterised at present by uncertainty - the 'thickening' of Australia's regional relations will require a correspondingly richer understanding of our neighborhood. The capacity of Australian education institutions to provide such a foundation is vital and cannot be left to chance. Changing lingering misperceptions of Australia in Asia is also, in part, an academic task.

8. The role of such Track 2 organizations as CSCAP and Asialink is increasingly valuable in a time of strategic transition and uncertainty. It is fundamental to Track 2 to focus on government priorities.

Such organizations are -

- a) equipped to assist government through their international networks, helping to make Australia aware of different regional viewpoints; and
- b) able to perform a broker role, encouraging academic and other non-government specialists to devote attention to foreign policy issues of national importance.

Track two can also stimulate and inform public discussion of foreign policy issues – a discussion that would always benefit from a degree of bipartisanship, and will help prepare the Australian community to respond to the strategic challenges that currently face our nation.

Anthony Milner

Participants in the meetings:

The chairs were Professor Anthony Milner AM (Co-Chair, AusCSCAP and International Director, Asialink) and Mr Richard Smith AO PSM (Co-Chair, AusCSCAP).

The international visitors: Ambassador Barry Desker (RSIS, Singapore); Professor Xue Li (Director, Dept. of International Strategy, CASS); Mr. Chris Elder (Senior Fellow, New Zealand Contemporary China Research Centre); Professor Amitabh Mattoo (Honorary Director, Australia India Institute)

Melbourne meeting: Mr Mark Laurie (Partner, Defence Lead, PwC); Professor Ron Huisken (AusCSCAP, editor of the CSCAP Regional Security Outlook); Professor Greg Barton (Professor of Global Islamic Politics, Alfred Deakin Institute, Deakin University); Professor Nick Bisley (Executive Director, La Trobe Asia, La Trobe University); Dr Nicholas Farrelly (Deputy Director, Coral Bell School of Asia Pacific Affairs); Dr Meg Gurry (Fellow, Australia India Institute); Mr Allan Gyngell AO (Director, Crawford Australian Leadership Forum); Mr Ken Maxwell, Partner, PwC; Mr John McCarthy AO, Senior Adviser, Mitsubishi Materials Corporation; Professor Pip Nicholson, Director, Asian Law Centre, Melbourne Law School, The University of Melbourne; Professor Richard Rigby, Executive Director - China Institute, Australian National University; Ms Deborah Steele, Editor, ABC; Dr Sow Keat Tok, Lecturer, University of Melbourne; Ms Jan Hutton, Foreign Policy White Paper Taskforce, Department of Foreign Affairs and Trade.

The Canberra meeting included many of the above plus -

Mr Geoffrey Miller; Dr James Cotton; Mr James Batley; Assoc Professor David Hegarty; Mr Alan Behm; Professor Anthony Reid; Professor Jochen Prantl; Professor Bill Tow; Mr Ian Dudgeon; Ms Sophie Qin; Dr Christopher Roberts; Mr Trevor Wilson; Dr Jong-sung You; Mr Hugh Robilliard; Mr Neil Reddan; Mr Thomas Power; Mr Peter Lee; Mr Liam Gammon; Professor Guiseppe Gabusi; Dr Jenny Corbett; Dr Andrew Carr; Mr John Buckley; Dr John Blaxland.