

# **Shifting US-China Policy Postures: Options for Australia**

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**October 2017**

# **Abstract**

International relations are passing through a crucial phase, specifically since the end of the Cold War in which the post-Second World War institutions and alliances are being increasingly challenged by the rising powers, particularly China. The rules-based order, mainly championed by the United States through its alliance system is being challenged externally by the countries like China and internally by the new administration of Donald John Trump. In a sense, a situation is arising in which China is challenging the existing world order by forwarding its sovereignty claims over the South China Sea and impinging on freedom of navigation, exerting pressure against the US alliance system as well as leveraging its relation with trade and investment. This thesis identifies and examines Trump's postures that could most affect Australia and the Asia-Pacific, focusing on the South China Sea Dispute, the US-led alliance system, and trade. It then examines China's resultant postures and the possible implications to Australia, before concluding with a look at Australia's responses and the possible options Canberra might employ in its relationship with China moving forward. Through a descriptive analysis within an offensive realist framework, this study concludes that Australia ultimately needs to take a much firmer stance towards China in areas it has traditionally remained more ambivalent. Particularly with the convening/supporting of increased security dialogues between Australia and other regional states, while simultaneously displaying understanding of China's cultural sensitivities, by supporting and advocating for a less confrontational approach in other areas, especially concerning Freedom of Navigation Operations (FONOPs).

## Declaration of Originality

I certify that this thesis does not incorporate without acknowledgement any material previously submitted for a degree or diploma in any university; and that to the best of my knowledge and belief it does not contain any material previously published or written by another person except where due reference is made in the text.

9-10-2017

~~Signed: Richard James Cleverly~~  
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**on: 9 October 2017**

## Acknowledgements

Academic pursuits are never undertaken in isolation. It requires the input and support of many truly amazing individuals. Chief among those who supported me on this journey was my supervisor Dr Dalbir Ahlawat, and my mother.

It is worth noting that this thesis was exceptionally challenging to complete. It was completed in a very confined environment, where I had very limited access to the internet and minimal access to a computer. However, Dr Ahlawat accepted me as a research candidate even under these most unusual of circumstances. His support, compassion, guidance, and patience were boundless, and it is fair to say, in the final months, without him in my corner, I may not have completed this work. I am truly in his debt – a nicer man I could not have found.

In the other corner was my mother, who was just as essential to my success. Without her love and unwavering support, I would never have made it out of the starting blocks. You have done so much for me and I am truly blessed to have a mother as devoted as you. Thank you.

There were a number of others, along the way, without their support, would have meant, I never reached the position I find myself today. They are Allan, Jana, Jim, Amanda, Stella, Russell and Daniel. Each of you has my deepest respect and your willingness to provide me an ear will never be forgotten.

And finally, to Julie, who has been there from the start. Thank you.

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# **Chapter 1**

## **Introduction**

International relations are passing through a crucial phase, specifically since the end of the Cold War in which the post-Second World War institutions and alliances are being increasingly challenged by the rising powers, particularly China. The rules-based order, mainly championed by the United States through its alliance system is being challenged externally by countries like China and internally by the new administration of Donald John Trump. In a sense, a situation is arising in which China is challenging the existing world order by forwarding its sovereignty claims over the South China Sea (SCS) and impinging on freedom of navigation, exerting pressure against the US alliance system as well as leveraging its relation with trade and investment. The existing balance of power is further impeded by the declarations made by Trump, such as following an isolationist policy, withdrawal from the Trans-Pacific Partnership (TPP) and dilution of the alliance system.

This ambiguity has forced the regional states to re-assess their security and trade policies. Due to China having the means to exert significant influence over Australia's immediate neighbourhood, this seeks Canberra's increased attention to manoeuvre between its alliance with the US and trade relations with China. This brings to fore the need for Australia to re-evaluate not just its place within the international community, but its responsibilities within its immediate region.

This thesis examines those public statements, or hard policies, of President Trump, identifying how they are most likely to impact Australia. It then turns to China's postures as a result of Trump's election and the implications, particularly the possible security and strategic challenges that China poses to Australia, and subsequently underlines the repercussions for Australia and the options available to Canberra to re-orient its postures.

This thesis primarily focuses on Australia's immediate region, which encompasses the SCS. The SCS is a possible regional flashpoint which has already resulted in conflict between states due to territorial disputes, and where the big powers (the US and China) are most likely, in the short-term, to experience conflict. This would then ultimately propel Australia into the fray as a result of the Australia, New Zealand and the United States (ANZUS) alliance treaty. The South China Sea Dispute (SCSD) concerns China's claims of sovereignty over the majority of the SCS, within its so-called nine-dash line, which conflicts with the claims of other SCS littoral states. Specifically, Taiwan, Vietnam, Brunei, Malaysia, Indonesia and the Philippines all maintain claims to areas within the SCS. While the dispute concerns issues of sovereignty, it is also fuelled by the belief of massive undersea hydrocarbons and fish stocks that all states perceive as being vital to their ongoing security. The SCS is also a major trade route in which the unimpeded navigation of vessels is paramount.

For Australia, the ANZUS alliance forms the bedrock of its security policy. The Alliance has provided Australia much larger regional influence than it would have otherwise enjoyed, while ensuring it a significant level of deterrence from aggression, of which it could not have achieved on its own. Today, there is even greater reason for the ANZUS treaty to be

continued, and in the face of President Trump's posture to dilute the alliance system, Australia needs to ensure such a possibility does not eventuate. In particular, Freedom of Navigation Operations (FONOPs) appear to be a contentious issue, which compound an already tense situation. Therefore, Australia should demonstrate some independent space and scope to advocate for resolution of the regional disputes.

Additionally, the global importance of China to the supply chain is indisputable. In addition to the vast economic linkages between all states, unwinding this is an impossible task without causing a likely global economic recession. Likewise, any Trump threat of substantial trade tariffs against China, and Beijing's counter-threats, can only lead to devastating outcomes for all states. However, the growing stature of China's own international institutions, which include the Regional Comprehensive Economic Partnership (RCEP), the Belt and Road infrastructure project (OBOR), and the Asian Infrastructure Investment Bank (AIIB), will likely provide China, if not today, then in the near future, a mechanism whereby no state, including the US, is able to implement economic sanctions. While this is beneficial from a global trade perspective, it does however demonstrate the level of influence that China has attained and the inability of the US, or any other state, to bend Beijing to desires not of its own making.

In a rapidly changing international environment, this thesis sets out to answer several important questions concerning Australia-China relations within the scope of shifting US-China policy postures. It does this within the context of the current Trump administration's policies concerning the SCSD, the alliance system and trade relations. First, in this early stage, what are the Trump administration's postures? How do they affect the SCSD, the US-



led alliance system, as well as trade? Second, how has China responded to the US postures? Lastly, what is Australia's current response? How Australia-China relations are affected and what should Australia's responses be?

The primary arguments advanced in this thesis are: as a result of Trump's pushing of the world in a lurch of instability, indecisiveness and uncertainty, Australia finds itself at a threshold where it needs to better ensure for its own security. Specifically, as China has no discernible interest in maintaining the status quo, the current rules-based order, transited in a China focussed order poses opportunities as well as challenges to Australia. This provides scope for Australia, the US and its allies to attempt to address China's concerns by reducing its FONOPs and SCS activities, even though offensive realism suggests it will not result in any changes to China's behaviour. As a result, China can be enlisted as a state that is unwilling to cooperate and is therefore solely responsible for the regional instability. Australia would need to tread a fine line between managing the ANZUS alliance and convening additional security dialogues and partnerships to contribute more within the region, while simultaneously avoiding any conflict that could result in Chinese sanctions that would damage Australia's economy. Based on the above hypothesis Australia has the right to be concerned should China achieve regional dominance.

This introductory chapter is developed in four sections. The first section discusses the qualitative research methodology of descriptive analysis upon which this thesis is formulated. The second section identifies the origin of the sources used within the descriptive analysis. The third section presents the theoretical framework that underpins the thesis, before concluding with an outline of the thesis structure.

## Methodology

Methodology is the means by which data is gathered and analysed.<sup>1</sup> The question this thesis sets out to answer is achieved by using the qualitative research method and descriptive analysis. Qualitative research is ‘designed to address questions of meaning, interpretation and socially constructed realities’<sup>2</sup> and while descriptive research has its critics, without ‘good description’ the knowledge generated through research would be significantly lacking.<sup>3</sup>

As all inquiry entails some level of description, with any such description then requiring interpretation, this description cannot be achieved without ascertaining the particular facts on the matter under study.<sup>4</sup> Ascertaining these facts largely depends on the individual viewpoints and beliefs of the individual who collects them.<sup>5</sup> The descriptive research approach is applicable in this scenario, especially as its primary purpose is to assist with both the accurate collection of data as well as to provide the clearest outline possible of the research question.<sup>6</sup>

What is clear is there is no right way, or single way, to view something, and the description is always presented in a manner that has undergone interpretation, and possible change, within

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<sup>1</sup> D.F. Polit & B.P. Hungler, *Nursing Research: Principles and Methods*, The University of Michigan, Lippincott, Michigan, 1999, p. 648.

<sup>2</sup> I. Newman et al., ‘Typology of Purpose’, in A. Tashakkori & C. Teddlie ed., *Handbook of mixed methods in social and behavioural research*, Sage Publications, Thousand Oaks, CA, 2003, p. 170.

<sup>3</sup> D.A. De Vaus, *Research Design in Social Research*, Sage Publications, London, 2001, p. 1.

<sup>4</sup> M. Sandelowski, ‘Focus on Research Methods: Whatever Happened to Qualitative Description?’, *Research in Nursing & Health*, vol. 23, 2000, p. 335.

<sup>5</sup> H.F. Wolcott, *Transforming qualitative data: Description, analysis, and interpretation*, Sage Publications, Thousand Oaks, CA, 1994, pp. 43-44.

<sup>6</sup> J. Mouton & H.C. Marais, *Basic concepts in the methodology of the social sciences*, Revised edition, Human Sciences Research Council, Pretoria, 1992, p. 44.

the mind of any individual.<sup>7</sup> This method has therefore been chosen over quantitative research methods to avoid the objective, discrete data that is generated.<sup>8</sup> This thesis aims to provide a much more subjective analysis to provide an alternate interpretation that may not have previously been considered as descriptive research allows.

## **Sources**

The information and arguments presented within this thesis originate from both primary and secondary sources. These sources include media reports, government reports, think-tank publications, books and journals. Of specific note, there is wide use of opinion-pieces published by think tanks such as the Lowy Institute for International Policy and the Australian Strategic Policy Institute. The authors of these pieces in all instances are leading figures within their fields.

## **Theoretical Framework**

### **Realism**

While there are numerous theoretical paradigms that could be employed to ground the following study, including liberalism or constructivism,<sup>9</sup> the underlying framework will however rely on the realist school of thinking. The realist paradigm views the states as unitary actors, fundamentally predisposed to operate in a constant state of anarchy, where

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<sup>7</sup> J.C. Pearce, *The crack in the cosmic egg: Challenging constructs of mind and reality*, Washington Square Press, NY, 1971.

<sup>8</sup> Newman et al., *loc cit.*

<sup>9</sup> S.M. Walt, 'International relations: One world, many theories', *Foreign Policy*, Spring, 1998.

there is no central guiding authority. Therefore, each state needs to protect and ensure its own (self-help) safety and security (survival) above all else, while remaining perpetually fearful and distrustful of the real intentions of other states, creating an environment in which the potential for conflict is present.<sup>10</sup> The realist perspective is one of the ‘dominant paradigms of international relations theory’<sup>11</sup> and to be thorough, comprises three main realist categories. These are classical, structural (neo-realism) and neoclassical. Two opposing sub-classes of offensive and defensive are associated with the structural realist perspective.

While the ‘classical’ realist perspective focuses on human nature, arguing that it is the inherent negative aspects of human behaviour to accumulate as much power as practicable that moves states to make the seemingly poor decisions they do in their quest for this increased power.<sup>12</sup> A neo-realist perspective focuses not on human nature, but on the overall structure of the international system, arguing it is the structure that determines how states will achieve their desired levels of security.<sup>13</sup> Within this neo-realist perspective, defensive realism champions that states simply maintain the current status quo without any offensive manoeuvres to gain increased power,<sup>14</sup> whereas offensive realism posits that states attempt to seize increasing amounts of power in pursuit of hegemony.<sup>15</sup>

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<sup>10</sup> P. Toft, ‘John J. Mearsheimer: an offensive realist between geopolitics and power’, *Journal of International Relations and Development*, vol. 8, no. 4, 2005, p. 383; R. Schweller, ‘The Progressiveness of Neoclassical Realism’, in eds. C. Elman & M.F. Elman, *Progress in International Relations Theory: Appraising the Field*, MIT Press, Cambridge, MA, 2003, pp. 322-329.

<sup>11</sup> R. Chen, ‘A Critical Analysis of the U.S “Pivot” toward the Asia-Pacific: How Realistic is Neo-realism?’, *The Quarterly Journal*, Summer, 2013, p. 43.

<sup>12</sup> H.J. Morgenthau, *Politics Among Nations: The Struggle for Power and Peace*, Brief edn, McGraw-Hill, Boston, 1993, p. 4; C. Elman & M.A. Jensen, ‘Realisms’, in P.D. Williams ed., *Security Studies: An Introduction*, Routledge, NY, 2013, p. 17.

<sup>13</sup> Chen, *op cit.*, p. 45

<sup>14</sup> E.J. Labs, ‘Beyond Victory: Offensive realism and the expansion of war aims’, *Security Studies*, vol. 6, no. 4, 1997, p. 9.

<sup>15</sup> J.J. Mearsheimer, *The Tragedy of Great Power Politics*, W.W. Norton & Co, NY, 2001, p. 29.

While Michael Brecher and Frank Harvey suggest ‘a paradigm does not provide all answers, rather only the promise of some answers’,<sup>16</sup> this thesis is however specifically grounded in John Mearsheimer’s ‘offensive realist’ perspective. He theorises states continue to strive for increased power vis-à-vis other states in order to become the hegemon. It is his belief that so long as the international system persists in anarchy, in which states not only can hurt each other, but cannot trust each other, and therefore fear the real intentions of one another, today’s weaker states will continue to increase their security allowing them to challenge stronger states, perpetuating the relentless security competition between them all.<sup>17</sup>

While this thesis supports offensive realist ideals, it should be noted that while some authors, such as Tran Minh<sup>18</sup> rely on the empirical validity of Mearsheimer’s work as qualification for employing an offensive realist perspective within their own studies, there is however a significant shortcoming in Mearsheimer’s work. While not invalidating Mearsheimer’s theory, the conflicts Matthew Rendell studied between 1814-1848 demonstrates the restraint that the status-quo states showed by not attempting to increase their own power even when the opportunity availed itself, which ultimately weakens a primary assumption that states will take large risks to become a regional hegemon.<sup>19</sup> Viewing all states from a single perspective is an additional weakness in Mearsheimer’s theory. However, Mearsheimer does argue that states are not ‘mindless aggressors’, before undertaking any actions against other states they weigh the likely benefits and gains against the possible losses, with particular consideration

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<sup>16</sup> M. Brecher & F.P. Harvey, *Realism & Institutionalism in International Studies*, eds., The University of Michigan Press, Michigan, p. 55.

<sup>17</sup> Mearsheimer, *op cit.*, pp. 29-54; Elman & Jensen, *op cit.*, p. 22.

<sup>18</sup> T. Minh, ‘A Threat Looms Large: China’s Territorial Disputes in the South China Sea, 1989-2011’, Master’s thesis, The Australian National University College of Asia & the Pacific, Acton, ACT, 2011, p. 10.

<sup>19</sup> M. Rendell, ‘Defensive realism and the Concert of Europe’, *Review of International Studies*, vol. 32, 2006, p. 540.

given to how other states may respond, and if the negatives outweigh the positives the states will bide their time until a better opportunity presents.<sup>20</sup>

The following section elucidates employment of offensive realism over the alternatives of constructivism and liberalism. While Jonathan Kirshner dismisses Mearsheimer's offensive realist theory in dealing with the rise of China as 'dangerous' and 'wrong', it remains a theory that attempts to delineate the potential for trouble that China could be capable. Liberalism as a conceptual framework is not appropriate in this scenario as, in a similar vein to Marxism, 'share an inherently economist perspective': that is, individuals are more concerned about increasing their personal wealth and that 'behaviour is best predicted by modelling actors as agents in the rational pursuit of material things'.<sup>21</sup> Realists however assume the view that actions are primarily taken to ensure a state's survival as the primary motivation, therefore placing security well ahead of wealth maximisation.<sup>22</sup> It is to this assumption - that China desires to increase its security in the first instance - which this thesis aligns. Liberalists also assume that the interconnectedness of economies will largely prevent any outbreak of hostilities between states,<sup>23</sup> yet this is difficult to reconcile with China's rise as its ambitions grow and it increasingly challenges the interests of other states in order to protect its own.

Constructivists however view relations between states from a more fluid social perspective rather than through any rational choices that reflect objective material benefits.<sup>24</sup> It is

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<sup>20</sup> Mearsheimer, *op cit.*, p. 37.

<sup>21</sup> J. Kirshner, 'The tragedy of offensive realism: Classical realism and the rise of China', *European Journal of International Relations*, vol. 18, no. 1, 2010, p. 55.

<sup>22</sup> *ibid.*, pp. 55-56.

<sup>23</sup> A. L. Friedberg, 'The Future of U.S.-China Relations: Is Conflict Inevitable?', *International Security*, vol. 30, no. 2, 2005, p. 12.

<sup>24</sup> A. Wendt, *Social Theory of International Politics*, Cambridge University Press, Cambridge, 1999.

concerned with norms; the development of structures and the interrelation between the actors and these structures; the role identity has in influencing the behaviours of actors; as well as how norms ultimately impact an actor's development.<sup>25</sup> Constructivists therefore suggest the more socialisation between states the better-improved international relations will be,<sup>26</sup> however, although China did adopt a 'good neighbour policy' from 1989-2009, constructivism is not adequately able to explain China's more assertive stance, particularly within the SCS since 2010.<sup>27</sup>

## **Thesis Structure**

This thesis is developed in six chapters. Chapter Two provides a critical analysis of the current literature surrounding the main topic of this thesis, namely, the SCSD, the international legal regime designed to address the disputes (United Nations Convention on the Law of the Sea), and the US-led alliance system, in particular the ANZUS.

Chapter Three identifies and examines President Trump's pre-election and post-election policies, specifically concerning the alliance system, the SCS, and trade. It concludes by attempting an analysis of the description discussed under different rubrics in the chapter. The chapter reflects on the incipient but largely indecisive, erratic and inconsistent policies.

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<sup>25</sup> C. Reus-Smit, Constructivism: Chapter 8, in S. Burchill et al., eds., *Theories of International Relations*, 3rd edn., Palgrave Macmillan, Houndmills, Basingstoke, Hampshire, 2005, pp. 188-198.

<sup>26</sup> Friedberg, *op cit.*, p. 35.

<sup>27</sup> Minh, *op cit.*, p. 7.

Chapter Four provides discussion and analysis on the security challenges China may pose to Australia. It commences with a discussion on China's attempts at simultaneously usurping current US alliance partners, as well as undermining US regional credibility. This is followed with an examination of China's SCS posture and its disregard for the current US-led, rules-based order, and the issue of trade sanctions and their efficacy. The chapter concludes by attempting an analysis of the description in the preceding sections.

Chapter Five identifies not only possible implications to Australia-China relations, but also proposes possible solutions. Specifically, the ANZUS alliance and options for Australia's future role in regional security is addressed. An analysis of Australia's approach to the SCS, particularly Freedom of Navigation Operations (FONOPs) follows. President Trump's trade threats and the likely ensuing consequences to Australia's economy is then examined, before concluding by attempting an analysis of the description provided in the preceding sections.

The thesis ends with Chapter Six, in which the relevant conclusions from the arguments within the preceding chapters are elucidated.



## **Chapter 2**

### **Background and Literature Review**

This chapter provides a background and literature review of the South China Sea Dispute (SCSD). As the SCSD is not a recent phenomenon and has been ongoing for decades, it is necessary to succinctly address the current views surrounding the issue as it provides this thesis a solid foundation on which the current literature can be expanded.

This chapter is developed in three sections. The first section highlights the background of the SCSD and the parties involved. It also discusses the application of the United Nations Convention on the Law of the Sea (UNCLOS), concluding with the identification of current options and suggestions available to Australia, the US and its allies. The second section examines the “San Francisco” Alliance System, particularly the Australia, New Zealand and US (ANZUS) alliance, and the final section identifies the gap in the current literature this thesis will enhance.

#### **South China Sea Dispute**

The South China Sea (SCS) is approximately 3,000,000 square kilometres in size and is predominantly land-locked, being surrounded by many of Asia’s most influential states.<sup>1</sup> It is comprised of 45 islands and rocky features of the Spratly archipelago, a further 15 islands of

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<sup>1</sup> D.M. Nguyen, ‘Settlement of Disputes Under the 1982 United Nations Convention on the Law of the Sea: The Case of the South China Sea Dispute’, *University of Queensland Law Journal*, vol. 25, no. 1, 2006, p. 147.

the Paracel archipelago, three islands of the Pratas group, as well as the Macclesfield Bank.<sup>2</sup> The SCSD is unique for numerous reasons. These include the ‘number of parties involved; the importance of the sea lanes’ within the area; and to a certain degree, the overall ‘dispute has turned into a power struggle between China and the US with Southeast Asia caught in the middle’.<sup>3</sup> The dispute, in as succinct an explanation as possible, involves the People’s Republic of China (China), Taiwan, Vietnam, Brunei, Malaysia, Indonesia and the Philippines, all of whom claim sovereignty over areas of the SCS, which in most instances overlap the claims of one or more of these states.<sup>4</sup> China claims the majority of the SCS, which has brought it into dispute with some of the other claimants numerous times.<sup>5</sup> While issues of sovereignty are at the precipice of the dispute, it is further fuelled by the belief of an abundance of undersea hydrocarbons (fuel) and other marine resources (fish stock).<sup>6</sup> Other non-claimants, such as the US, Australia, Japan and India are also involved mainly because of threat to freedom of navigation. While countries such as Japan and Australia have contributed to the overall ‘stability and development’ across the Asia-Pacific,<sup>7</sup> other countries, such as India, insist on the right to maintain a naval presence in the SCS.<sup>8</sup> India’s design in the SCS is to demonstrate it is a power whose opinion counts; to ‘balance China’; and for energy resources exploitation.<sup>9</sup> Additionally, it also has the tacit approval of not only Indonesia who it conducts routine patrols with, but also Vietnam who allows India to dock its

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<sup>2</sup> L. Buszynski, ‘The development of the South China Sea Maritime dispute’, in L. Buszynski & C. Roberts, eds., *The South China Sea And Australia’s Regional Security Environment*, National Security College Occasional Paper, The Australian National University, Acton, ACT, no. 5, September 2013, p. 4.

<sup>3</sup> M.S. Ravindran, ‘China’s Potential for Economic Coercion in the South China Sea Disputes: A Comparative Study of the Philippines and Vietnam’, *Journal of Current Southeast Asian Affairs*, vol. 3, 2012, p. 109.

<sup>4</sup> A.N. Johnson, ‘A Bilateral Analysis of the South China Sea Dispute: China, the Philippines, and the Scarborough Shoal’, Master’s thesis, Florida International University, Florida, 2012, p. 1, FIU Electronic Theses and Dissertations, paper no. 661, <http://digitalcommons.fiu.edu/etd/661>, (accessed 9 December 2016).

<sup>5</sup> J.P. Rowan, ‘The U.S.-Japan Security Alliance, ASEAN, and the South China Sea Dispute’, *Asian Survey*, vol. 45, no. 3, 2005, p. 426.

<sup>6</sup> Ravindran, *op cit.*, p. 114.

<sup>7</sup> S. Armstrong, ‘Economic Cooperation in the Asia-Pacific and sustaining the rules-based order in international trade’, in *Special Report, Strengthening rules-based order in the Asia-Pacific: Deepening Japan-Australia cooperation to promote regional order*, Australian Strategic Policy Institute, Barton, ACT, December, 2014, p. 28.

<sup>8</sup> M.J. Valencia, ‘High Stakes Drama: The South China Sea Disputes’, *Global Asia*, vol. 7, no. 3, 2012, p. 58.

<sup>9</sup> S.W. Simon, ‘Conflict and Diplomacy in the South China Sea’, *Asian Survey*, vol. 52, no. 6, 2012, p. 1009.

military vessels at some of its ports.<sup>10</sup> Of note, Christopher Budd and Dalbir Ahlawat determined Vietnam has the more ‘credible and convincing sovereignty claim over the Paracels’.<sup>11</sup>

As far back as 1978, Choon-Ho Park provided a thorough historical analysis of the SCS, with an examination of the competing claims, legal aspects, as well as the likelihood of a resolution being reached.<sup>12</sup> In the end, he succinctly concluded a resolution would be unlikely, with the dispute ultimately continuing well into the future.<sup>13</sup> In 1982, in an attempt to establish a standardised method for demarcating maritime borders, and/or resolving any disputed borders, the UNCLOS was enacted as the pre-eminent law of the oceans.<sup>14</sup> While some countries have not ratified the treaty, the US being one ‘notable exception’,<sup>15</sup> China did so in 1996.<sup>16</sup> Compounding matters further however was the 1992 Chinese Law of the Territorial Sea and Contiguous Zone, which conferred China’s sovereignty over most of the SCS,<sup>17</sup> which China reiterated during its ratification of UNCLOS.<sup>18</sup> Effectively, China may have ratified UNCLOS, but Beijing rendered it worthless with the underpinnings of this objection from the outset. Figure 1 reveals each state’s claim, along with the 200 nautical mile Exclusive Economic Zone (EEZ) boundary the UNCLOS allows.<sup>19</sup>

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<sup>10</sup> *ibid.*, p. 1011.

<sup>11</sup> C. Budd & D. Ahlawat, ‘Reconsidering the Paracel Islands Dispute: An International Law Perspective’, *Strategic Analysis*, vol. 39, no. 6, 2015, p. 675.

<sup>12</sup> C.H. Park, ‘The South China Sea Dispute: Who Owns the Islands and the Natural Resources?’, *Ocean Development & International Law*, vol. 27, 1978, pp. 27-59.

<sup>13</sup> *ibid.*, p.54.

<sup>14</sup> Nguyen, *op. cit.*, pp. 145-146.

<sup>15</sup> A. Asgeirsdottir & M. Steinwand, ‘Dispute settlement mechanisms and maritime boundary settlements’, *Rev Int Organ*, vol. 10, 2015, p. 129.

<sup>16</sup> Simon, *op cit.*, p. 1001.

<sup>17</sup> *ibid.*

<sup>18</sup> J. Shen, ‘China’s Sovereignty over the South China Sea Islands: A Historical Perspective’, *Chinese Journal of International Law*, vol. 1, no. 1, 2002, p. 150.

<sup>19</sup> Valencia, *op cit.*, p. 60.

[Image redacted due to Copyright]

**Figure 1: SCS Claimant's Sovereign Demarcations and UNCLOS Boundaries** Source: Valencia 2012, p. 60.

UNCLOS provides for a number of dispute resolution mechanisms in order to assist the states to reach a binding resolution, which includes the provision of a third-party tribunal.<sup>20</sup> Nong Hong believes it is unlikely the states would adopt such a dispute resolution strategy.<sup>21</sup> While Leszek Buszynski and Christopher Roberts also argue that China is 'unlikely to accept third-party mediation',<sup>22</sup> Hong did however reach the conclusion that UNCLOS has provided for a 'period of relative stability in global ocean affairs',<sup>23</sup> and its goal of being a 'constitution for the oceans' has been achieved.<sup>24</sup>

Hong's belief that states would not employ third-party tribunals proved incorrect, when on behest of Philippines, an Arbitral Tribunal was established under the UNCLOS, against the provocative actions of China, to determine the legitimacy of China's claims to certain historic and other rights to the SCS within its nine-dash line.<sup>25</sup> In its decision, the Tribunal ruled predominantly in favour of Philippines, determining China was in violation of the Philippines 'sovereign rights' as well as the UNCLOS.<sup>26</sup> The Tribunal also clarified Article 121. This Article addresses how islands, and the automatic 200 nautical mile EEZ for a sovereign state is determined, as opposed to any other feature (example: rocks) that is unable to sustain

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<sup>20</sup> Nguyen, *op. cit.*, pp. 164-166.

<sup>21</sup> N. Hong, *UNCLOS and Ocean Dispute Settlement: Law and Politics in the South China Sea*, Routledge, London, 2012, p. 2.

<sup>22</sup> L. Buszynski & C. Roberts, 'Australia's interests in the South China Sea', in L. Buszynski & C. Roberts, eds., *The South China Sea And Australia's Regional Security Environment*, National Security College Occasional Paper, The Australian National University, Acton, ACT, no. 5, September 2013, p. 52.

<sup>23</sup> Hong, *loc. cit.*

<sup>24</sup> *ibid.*, p. 239.

<sup>25</sup> The Hague, Permanent Court of Arbitration, *Press Release: The South China Sea Arbitration (The Republic of the Philippines v. The People's Republic of China)* [media release], 12 July 2016, pp. 1-3.

<sup>26</sup> *ibid.*, p. 10.

ongoing human habitation which, at the most, would only permit a 12 nautical mile territorial sea surrounding the feature.<sup>27</sup> Although Hong was correct in her belief the ambiguous nature of Article 121 can be clarified by a third-party tribunal,<sup>28</sup> however, it has not altered Chinese rhetoric or actions. The Deputy Director General of China's Department of Boundary and Ocean Affairs stated that within the SCS, the US should 'adhere to international law and it should play by the rules',<sup>29</sup> all-the-while, only two years later, refusing to recognise the legitimacy of any decision the Tribunal ultimately reached, or be a party to the proceedings at all.<sup>30</sup> Of note, a state's refusal to be party to a Tribunal does not prevent the Tribunal from reaching a decision.<sup>31</sup>

In response to the Philippines Arbitral Tribunal proceedings, China released a white paper explaining its claim to sovereignty over the SCS based on over 2000 years old historical records.<sup>32</sup> While Bill Hayton disputes this, suggesting the SCS was mostly uncharted by the Chinese until a little over a century ago,<sup>33</sup> if UNCLOS is to be applied, China's argument becomes seemingly irrelevant. Such irrelevance is displayed by Buszynski's demonstration of the precedent within international law of the 'importance of the "effective occupation" of islands to prove title rather than historical rights or first discovery'. The ongoing, undisputed exercise of authority over the islands was further substantiated in the 1928 decision of the Permanent Court of Arbitration (PCA) in the *Island of Palmas* case where this precedent was first established, as well as the 2002 precedent awarded in Malaysia's favour against

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<sup>27</sup> *ibid.*, p. 9.

<sup>28</sup> Hong, *op cit.*, pp. 51-52.

<sup>29</sup> Valencia, *op cit.*, p. 63.

<sup>30</sup> The Hague, Permanent Court of Arbitration, *op cit.*, p. 1.

<sup>31</sup> United Nations, *United Nations Convention on the Law of the Sea (UNCLOS) 1982*, Part XV, Article 287.

<sup>32</sup> T. Shaohui, ed., 'Full Text: China Adheres to the Position of Settling Through Negotiation the Relevant Disputes Between China and the Philippines in the South China Sea', *Xinhua China*, 13 July 2016, [http://news.xinhuanet.com/english/nbbps2016/2016-07/13/c\\_129141327.htm](http://news.xinhuanet.com/english/nbbps2016/2016-07/13/c_129141327.htm), (accessed 22 October 2016).

<sup>33</sup> B. Hayton, *The South China Sea: The Struggle for Power in Asia*, Yale University Press, New Haven, Connecticut, 2014.

Indonesia concerning the islands Pulau Ligitan and Pulau Sipadan.<sup>34</sup> Even though Lowell Bautista accepts the indisputable nature of China's claims on the basis of first contact with the islands in the SCS, he states the evidence of continuous occupation is missing.<sup>35</sup>

Jianming Shen lays out a compelling basis for China's claim over the SCS from a historical perspective. He concludes his paper with a reliance on numerous arguments, one of which was the right of China to claim an exception to the general rule within international law which requires states to display ongoing and continuous territorial authority to establish a claim of sovereignty over an area.<sup>36</sup> While one of the international law cases he relied upon to support his argument was the PCAs *Palmas* case,<sup>37</sup> Buszynski also cites this case quoting Justice Max Huber's test whereby he states 'any rights obtained from history may be lost "if not maintained in accordance with international law"'.<sup>38</sup> Buszynski specifically argues that 'China's attempt to cite ancient records as a basis for sovereignty conflicts within international law'.<sup>39</sup> However, while Shen asserts the general rule requiring a 'continuous display of authority'<sup>40</sup> should not apply in the SCS, and that 'pre-18<sup>th</sup> century laws' allowing for 'discovery alone'<sup>41</sup> should be applicable, the predominant issue in the current environment is the application of UNCLOS which he mentions on a single occasion only.<sup>42</sup> However, his most compelling argument, that unwittingly supports the recent Tribunal hearing in favour of the Philippines, is:

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<sup>34</sup> L. Buszynski, 'Rising Tensions in the South China Sea: Prospects for a Resolution of the Issue', *Security Challenges*, vol. 6, no. 2, 2010, p. 87.

<sup>35</sup> L. Bautista, 'Thinking Outside the Box: The South China Sea Issue and the United Nations Convention on the Law of the Sea (Options, Limitations and Prospects)', *Philippine Law Journal*, vol. 81, no. 4, 2007, p. 716.

<sup>36</sup> Shen, *op cit.*, pp. 152-157.

<sup>37</sup> Shen, *op cit.*, p. 155.

<sup>38</sup> Buszynski 2013, *op cit.*, p. 7.

<sup>39</sup> *ibid.*

<sup>40</sup> Shen, *loc. cit.*

<sup>41</sup> *ibid.*, p. 154.

<sup>42</sup> *ibid.*, p. 150.

*few territorial features in the world, perhaps, can more adequately be described as "remote" and/or "uninhabited" than the South China Sea Islands... the South China Sea Islands are so hard to sustain human settlement on a permanent basis that they are virtually entirely uninhabitable... Given the high abnormality and uninhabitability of the South China Sea Islands that China undeniably discovered...*<sup>43</sup>

This explains the very core of the UNCLOS. In the absence of a feature being able to sustain human habitation in its natural state, it cannot be considered as an island and therefore territorial sovereignty with right of an EEZ does not follow.<sup>44</sup>

Bautista also addresses the dispute resolution mechanisms within the UNCLOS, however, these mechanisms have limited efficacy to overcome the current stalemate within the SCSD.<sup>45</sup> He argues this is due to the parties knowing their claims are not likely to withstand scrutiny; that the natural course of winners and losers goes against Asian cultural views regarding 'face'; the legal costs associated with arbitration could burden some of the smaller claimants; and each claimant interprets UNCLOS quite differently.<sup>46</sup> Additionally, Sheldon Simon suggests China's long-term insistence on resolution of the dispute bilaterally and not multilaterally clearly dismisses the UNCLOS 'dispute resolution provisions'.<sup>47</sup>

While calls for China to consider a multilateral approach to the SCSD are not new, China still insists on bilateral negotiations only and does not entertain any form of multilateral

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<sup>43</sup> *ibid.*, p. 156.

<sup>44</sup> The Hague, Permanent Court of Arbitration, *op cit.*, pp. 9-10; UNCLOS 1982, *op cit.*, Part VIII, Article 121.

<sup>45</sup> Bautista, *op cit.*, p. 726.

<sup>46</sup> *ibid.*

<sup>47</sup> Simon, *op cit.*, p. 1017.

negotiation.<sup>48</sup> This is most significantly seen within the ASEAN forum in which China specifically pressurises that the SCSD not be placed on the agenda as China does not view ASEAN as a party to the dispute.<sup>49</sup> Sam Bateman suggests, in general, larger states (example: China) seek consultation (that is, bilateral negotiations) with smaller states (example: the Philippines) to resolve disputes, whereas smaller states seek arbitration.<sup>50</sup> This is disputed by Aslaug Asgeirsdottir and Martin Steinwand who opine that poorer states (example: the Philippines) are more inclined than wealthier states (example: China) to employ bilateral negotiations when dealing with maritime boundary disputes as it is much cheaper and provides greater flexibility.<sup>51</sup> More so, they underline that China's demand of dealing with other SCS claimant states is not at all abnormal or outside the international precedent, and that in the 186 maritime treaties created, greater than 90 per cent were finalised based on bilateral negotiations.<sup>52</sup> They suggest that the real problem in some cases is state's risk being bound 'to particular outcomes they might not like'<sup>53</sup> which supports Bautista's belief.<sup>54</sup>

In contrast, Buszynski accepts that a resolution to the dispute will be a long time coming and that China hopes that other claimants will baulk at its rising status and capitulate to its position.<sup>55</sup> He also argues the longer it takes to achieve a resolution the greater the likelihood conflict would ensue as claimants attempt to exploit the natural resources they believe is rightfully theirs.<sup>56</sup> Carl Ungerer states Chinese strategy is based on the emotional premise of

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<sup>48</sup> Buszynski 2010, *op cit.*, p. 94.

<sup>49</sup> *ibid.*

<sup>50</sup> S. Bateman, 'Australia and the South China Sea arbitration case', *The Strategist*, Australian Strategic Policy Institute, Barton, ACT, 17 December 2015, <https://www.aspistrategist.org.au/australia-and-the-south-china-sea-arbitration-case/>, (accessed 24 July 2017).

<sup>51</sup> Asgeirsdottir & Steinwand, *op cit.*, p. 119.

<sup>52</sup> *ibid.*, p. 131.

<sup>53</sup> *ibid.*, p. 121.

<sup>54</sup> Bautista, *loc. Cit.*

<sup>55</sup> Buszynski 2010, *op cit.*, p. 103.

<sup>56</sup> *ibid.*, p. 101.



‘historical grievances’, which is a ‘poor basis for rational action’.<sup>57</sup> He concludes while conflict is not a forgone conclusion, the chances of miscalculations with claimant and non-claimant states alike are increasing.<sup>58</sup>

To assist in reducing the possibility of conflict Hugh White argues Australia should recommend an Asian consortium of states which would consist of China, US, India and Japan in a power-sharing arrangement in order to reduce the possibility of Sino-US conflict.<sup>59</sup> However, Benjamin Schreer does not support this argument on the basis that Australia’s position in global affairs would diminish and result in a subordinated status to that of the US-Sino relationship.<sup>60</sup> The ‘lack of mutual trust and latent incompatibility’ between the US and Chinese perceptions regarding an acceptable ‘hegemonic order’<sup>61</sup> is reason enough for Jihyun Kim to suggest the US and China are not yet prepared to reach such an agreement. He nonetheless concludes China and the US should immediately begin to reconstruct relations around a ‘common purpose and mutual cooperation’,<sup>62</sup> and that China should not be considered a threat to the US or regional security.<sup>63</sup>

Achieving such an outcome could be difficult, particularly due to US primacy in the Pacific being a vital ‘US national security interest’ and a ‘pillar of American national identity’.<sup>64</sup> Roman Madaus goes on to explain that the US navigates the SCS to demonstrate that its

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<sup>57</sup> C. Ungerer, ‘Introduction and summary’, in C. Ungerer, I. Storey, & S. Bateman, ed., *Making mischief: The return of the South China Sea dispute*, Special Report, Australian Strategic Policy Institute, Barton, ACT, December 2010, iss. 36, p. 1.

<sup>58</sup> *ibid.*

<sup>59</sup> H. White, ‘Power shift: Australia’s future between Washington and Beijing’, *Quarterly Essay*, vol. 39, 2010, pp. 23-24.

<sup>60</sup> B. Schreer, ‘Australia’s ‘special strategic relationship’ with Japan: another ‘China choice’?’, *Australian Journal of International Affairs*, vol. 70, no. 1, 2016, p. 43.

<sup>61</sup> J. Kim, ‘Possible Future of the Contest In the South China Sea’, *The Chinese Journal of International Politics*, vol. 9, no. 1, p. 51.

<sup>62</sup> *ibid.*, p. 53.

<sup>63</sup> *ibid.*, p. 28.

<sup>64</sup> R. Madaus, ‘Why Australia Should Not Conduct FONOPS in the South China Sea’, *The Regionalist*, vol. 1, ed. 1, pt. 1, 2016, p. 2.

preferred rules-based order, and that includes UNCLOS, is the dominant international regime to be adhered to, while also demonstrating its commitment to not just the international order, but also to its alliance partners.<sup>65</sup> It is therefore unlikely the US will willingly cooperate. He further argues that China has framed the SCSD as part of its national core interest and is unable to back down without great humiliation.<sup>66</sup> However, the SCSD affects all claimants and non-claimants alike and it is essential the narrative does not become one of a contest between China and the US only.<sup>67</sup> Bateman believes continuing to view the dispute, from the perspective of the SCS claimants, as a 'zero-sum' game, the possibility of reaching an equitable resolution is unlikely.<sup>68</sup> Michael Wesley agrees and proposes that new initiatives are required, and for that Australia is strategically placed to act as a broker to any solution.<sup>69</sup>

Tiffany Ma and Michael Wills suggest that both claimant and non-claimant states within the SCSD face a 'strategic dilemma'. They can either elect to possibly damage their relationship with China by adopting a SCS posture that adheres completely to the current international law and which China may simply ignore regardless; or they can adopt a significantly relaxed posture and instead focus on preserving the bilateral relationship and therefore fostering economic growth.<sup>70</sup> In this sense, the two options are incompatible. Purely from an Australian perspective, Jingdon Yuan noted the dilemma faced in meeting alliance commitments with the US, which would result in significant economic loss because of

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<sup>65</sup> *ibid.*

<sup>66</sup> *ibid.*

<sup>67</sup> G. Poling, 'Australia Has a Larger Role to Play in the South China Sea', *Center for Strategic and International Studies*, Washington, D.C., 4 June 2015, <http://www.csis.org/analysis/australia-has-larger-role-play-south-china-sea>, (accessed 6 December 2016).

<sup>68</sup> S. Bateman, 'Legal and resource issues in the South China Sea', in C. Ungerer, I. Storey & S. Bateman, ed., *Making mischief: The return of the South China Sea dispute*, Special Report, Australian Strategic Policy Institute, Barton, ACT, December 2010, iss. 36, p. 14.

<sup>69</sup> M. Wesley, *Snapshot 11: What's at stake in the South China Sea?*, Lowy Institute For International Policy, Sydney, NSW, July 2012, p. 3.

<sup>70</sup> T. Ma & M. Wills, 'Raising the Stakes: The Interests of Non-claimant States in the South China Sea Disputes', *Asian Policy*, vol. 21, January 2016, p. 5.

Australia backing the US over any US-Sino conflict.<sup>71</sup> However, more positively, the previous Australian ambassador to the US, Kim Beazley, describes the Australia-US relationship as fundamental both economically and politically to Australia, and the notion that there is a delicate balancing issue between Australia-US and Australia-China is unwarranted hyperbole.<sup>72</sup>

The challenges do however seem more pronounced, particularly with China's ultimate goal to replace the US as the regional hegemon.<sup>73</sup> This is not an isolated belief. Although Rong Chen argues this is incorrect, with the evidence supporting the opposite conclusion,<sup>74</sup> Mark Valencia describes 'Chinese policy-makers talking "openly about their intent to oppose American unipolarity, revise the global order and command a greater share of global prestige and influence"'.<sup>75</sup> These views are tempered slightly by Suisheng Zhao who suggests that the US cannot, and should not attempt to contain a rising China, at the same time, Beijing likewise cannot expect to attain regional dominance, therefore both states should work to create a new model of power relations to allow them to work together, with neither dominating the other.<sup>76</sup>

## San Francisco "Alliance" System

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<sup>71</sup> J. Yuan, *A rising power looks down under: Chinese perspectives on Australia*, Australian Strategic Policy Institute, Barton, ACT, 14 March 2014, p. 5.

<sup>72</sup> H. Clark, 'Caught Between China and US, What Australia Has to Fear From a Trump Presidency', *South China Morning Post*, 9 October 2016, <http://www.scmp.com/week-asia/politics/article/2026147/>, (accessed 8 December 2016).

<sup>73</sup> J. Henderson & B. Reilly, 'Dragon in Paradise: China's Rising Star in Oceania', *The National Interest*, vol. 72, summer, 2003, p. 95.

<sup>74</sup> R. Chen, 'A Critical Analysis of the U.S "Pivot" toward the Asia-Pacific: How Realistic is Neo-realism?', *The Quarterly Journal*, Summer, 2013, p. 60.

<sup>75</sup> Valencia, *op cit.*, p. 61.

<sup>76</sup> S. Zhao, 'A New Model of Big Power Relations? China-US strategic rivalry and balance of power in the Asia-Pacific', *Journal of Contemporary China*, vol. 24, no. 93, 2015, p. 378.

In San Francisco, on 6 September 1951, a Second World War peace treaty with Japan was signed by 49 states allowing for Japan's economic recovery and its responsible repatriation within the international community.<sup>77</sup> This process was led by the US, and by the end of 1957, the US had formed bilateral alliances, or security treaties, with Japan (1952, revised 1960), Australia and New Zealand (ANZUS) (1951), the Philippines (1951), South Korea (1953), Taiwan (1954), and Thailand (1951),<sup>78</sup> becoming known as the 'San Francisco System'.<sup>79</sup> This hub-and-spoke alliance model positioned the US as the hub and the other Pacific nations as the spokes.<sup>80</sup> While historically formal defence alliances have had short life spans,<sup>81</sup> Kent Calder concludes that the stability eschewed within the region due to the San Francisco System runs counter to this<sup>82</sup> and aligns with Sheena Greiten's opinion that 'alliances play a critical role in fostering either conflict or cooperation'.<sup>83</sup> Jamie Metzl opined this system provided the order within Asia that exists today, and the conflict in the SCS is only providing the System a re-genesis.<sup>84</sup>

Stephen Walt describes an alliance as a 'formal or informal commitment for security cooperation between two or more states'.<sup>85</sup> This can be contrasted to a security partnership which is much more focused on a specific issue/s and may not have the 'durability' of an

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<sup>77</sup> K.E. Calder, 'Securing security through prosperity: the San Francisco System in comparative perspective', *The Pacific Review*, vol. 17, no. 1, 2004, p. 138.

<sup>78</sup> R. Bush, *America's Alliances and Security Partnerships in East Asia: Introduction*, Asian Alliances Working Paper Series, The Brookings Institution, Washington, D.C., no. 1, 13 July 2016, p. 2.

<sup>79</sup> Calder, *op cit.*, p. 136.

<sup>80</sup> C. Baker, 'Chapter 1: US Alliances in the Asia Pacific: the Evolving Narrative', in C. Baker & B. Glosserman, eds., *Doing More and Expecting Less: The Future of US Alliances in the Asia Pacific*, Issues and Insight, Pacific Forum CSIS, Honolulu, Hawaii, vol. 13, no. 1, 2013, p. 3.

<sup>81</sup> F. Heisbourg, 'The Future of the U.S. Alliance System', *Foreign Affairs*, 5 December 2016, <https://www.foreignaffairs.com/articles/2016-12-05/future-us-alliance-system>, (accessed 22 January 2017).

<sup>82</sup> Calder, *op cit.*, p. 152.

<sup>83</sup> S.C. Greiten, 'U.S.-China Relations and America's Alliances in Asia', The Brookings Institution, Washington, D.C., 11 June 2013, <https://www.brookings.edu/opinions/u-s-china-relations-and-americas-alliances-in-asia/>, (accessed 6 December 2016).

<sup>84</sup> E. Graham, J. Kurlantzick & S.A. Smith, 'Rebalancing U.S. Alliances in Asia: Session Four: The Future of the U.S. Alliance System', *U.S. Rebalance to Asia Symposium*, Council on Foreign Relations, Washington, D.C., 2015, <http://www.cfr.org/asia-and-pacific/rebalancing-us-alliances-asia/p36445>, (accessed 22 January 2017).

<sup>85</sup> S.M. Walt, 'Why alliances endure or collapse', *Survival*, vol. 39, no. 1, 1997, p. 157.

alliance or the much more widely inclusive focus.<sup>86</sup> While alliances are in effect a binding contractually obliging force, partnerships are voluntary with no such obligations.<sup>87</sup> William Tow and Satu Limaye caution that the states that align or ‘selectively collaborate’ with the US on security-related matters face challenges as their own perceptions get clouded by those of the US.<sup>88</sup> Alternatively, Richard Bush suggests the US, and its allies South Korea and Japan, as well as Taiwan, have used their alliances/partnership in a much more collaborative manner to affect results in not just security, but also non-security related issues (example: economic growth and poverty reduction).<sup>89</sup>

With regard to the ANZUS treaty, Paul Dibb was very clear in his view that the absence of the ANZUS treaty would be a ‘hazardous path’ to take as Australia’s vulnerability would be pronounced and that should Canberra break the ANZUS alliance the US would never enter into another.<sup>90</sup> This is a sharp warning to Australia, particularly as the Australian Defence Force is not in a position now, nor in the near future, to provide an independent defence thereby making the ANZUS alliance essential to Australia’s security.<sup>91</sup>

Concerning the US-Southeast Asian state alliances, De Castro suggests these alliances will ensure that any US-China conflict will ‘affect all five bilateral alliances in the region’.<sup>92</sup> Specifically relating to the possibility of increased Australian involvement in the SCS, Bateman identifies two treaty arrangements that could require Australia to become involved.

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<sup>86</sup> W.T. Tow & S. Limaye, ‘What’s China Got to Do With It? U.S. Alliances, Partnerships in the Asia-Pacific’, *Asian Politics & Policy*, vol. 8, iss. 1, 2016, p. 10.

<sup>87</sup> *ibid.*, p. 14.

<sup>88</sup> *ibid.*, p. 23.

<sup>89</sup> Bush, *op cit.*, p. 3.

<sup>90</sup> P. Dibb, ‘Australia’s Alliance with America’, *Melbourne Asian Policy Papers*, vol. 1, no. 1, 2003, p. 11.

<sup>91</sup> S. DeSilva-Ranasinghe, ‘Whither the Australia-US Alliance’, *Policy*, vol. 30, no. 1, 2014, p. 41.

<sup>92</sup> R.C.D. Castro, ‘The Risk of Applying Realpolitik in Resolving the South China Sea Dispute: Implications on Regional Security’, *Inha Journal of International Studies*, vol. 27, no. 2, 2012, p. 284.

The first is the ANZUS alliance, with the second being the Five Power Defence Arrangement (FPDA).<sup>93</sup> This arrangement includes both Malaysia and Singapore, who are Australia's regional partners in the FPDA, and while Malaysia maintains claims to several features within the SCS, both Malaysia and Singapore are 'relatively mild in their anti-China rhetoric'.<sup>94</sup>

However, any concern Australia has of being a target of attack is possibly of its own making. Ashley Townshend and Rory Medcalf believe China is deeply fearful of the US and its 'Asian allies and partners creating a web of interlocking security arrangements'. This includes both trilateral partnerships ('including Australia-US-Japan, Australia-Japan-India, and India-US-Japan arrangements, and also the Philippines or other ASEAN partners'), and the more concerning quadrilateral security discussions that were recently suggested between the US, Australia, Japan, and India.<sup>95</sup> A recent example where China is wary of trilateral partnerships is the joint Japan-US-Australia communique where ministers not only reaffirmed their enduring support for the current rules-based international order and the accompanying international laws, but they also affirmed their position on China needing to accept the Arbitral Tribunal's ruling in favour of the Philippines which they stated was 'final and legally binding' on both the parties.<sup>96</sup>

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<sup>93</sup> S. Bateman, 'What are Australia's interests in the South China Sea?', *The Strategist*, Australian Strategic Policy Institute, Barton, ACT, 28 May 2015, <https://www.aspistrategist.org.au/what-are-australias-interests-in-the-south-china-sea/>, (accessed 10 December 2016).

<sup>94</sup> *ibid.*

<sup>95</sup> A. Townshend & R. Medcalf, *Shifting waters: China's new passive assertiveness in Asian maritime security*, Lowy Institute for International Policy, April 2016, p. 27.

<sup>96</sup> U.S. Department of State, *Joint Statement of the Japan-United States-Australia Trilateral Strategic Dialogue* [media release], Department of State, Office of the Spokesperson, Washington, D.C., 25 July 2016, <http://www.state.gov/r/pa/prs/ps/2016/07/260442.htm>, (accessed 6 December 2016).

While such a trilateral partnership is not an alliance *per se*, the commonality of interests between the parties should be evident to China. China's concerns about such arrangements could stem from the belief that they are reliable. Alastair Smith states that actions of other states are informed by how reliable an alliance is perceived (that is: a weak alliance is an easier target and vice versa).<sup>97</sup> While Zhao argues 'China's suspicions only increased as it witnessed the Obama administration's efforts to re-energise America's bilateral ties with Japan'.<sup>98</sup> He also suggests the San Francisco System has helped ensure the 'security and stability' of the region, which includes the US-Japan alliance, as it has avoided not only the possibility of Japan remilitarising, but the extended nuclear deterrence provided by the US prevented the development of nuclear weapons by not just Japan, but likely South Korea and Taiwan.<sup>99</sup>

The 'hub and spoke alliance structure led by the US', while undergoing a period of change, still serves as a 'hedge against the emergence of an undesirable multilateral order in the region', which is unlikely to change in the foreseeable future.<sup>100</sup> While the US and its allies have been attempting to establish more 'multilateral security arrangements', their current inefficiencies ensure significant difficulties to act as a formative security architecture.<sup>101</sup> While it appears the current alliance system is slowly decaying, and the best way to protect US interests in the Asian region in the 21<sup>st</sup> Century is the establishment of a 'moderate, multi-polar balance-of-power system'.<sup>102</sup> Zhou Fangyin concludes that not only is the alliance system unlikely to be dismantled for 'some time to come', but that China specifically would

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<sup>97</sup> A. Smith, 'Alliance Formation and War', *International Studies Quarterly*, vol. 39, no. 4, 1995, p. 419.

<sup>98</sup> Zhao, *op cit.*, p. 385.

<sup>99</sup> *ibid.*, p. 395.

<sup>100</sup> J.J. Park, 'The US-led alliances in the Asia-Pacific: hedge against potential threats or an undesirable multilateral security order?', *The Pacific Review*, vol. 24, no. 2, 2011, p. 154.

<sup>101</sup> *ibid.*, p. 155.

<sup>102</sup> 'Beyond the San Francisco system', *The Adelphi Papers*, vol. 35, no. 299, 1995, p. 27.

need to find a way to ‘effectively co-exist’.<sup>103</sup> This is however at odds to Vivek Mishra who concluded there is a ‘decline in ‘alliance mutuality’’ that reduced the deterrence ability of the alliance system, therefore injecting the risk of instability in the region.<sup>104</sup>

## Literature Gap

The identified literature demonstrates the current rules-based order Australia subscribes to, as well as mechanisms Australia should adopt to avoid conflict, by ensuring no US-Sino conflict ensues. The gap within the literature, which is because of the recent nature of events forming this research, is the effect to Australia-China relations and ways to move the relationship forward under President Trump administration. This is particularly necessary due to Trump’s ‘America First’ comments, which is an isolationist rhetoric,<sup>105</sup> and the erratic, indecisive and unreliable foreign policy postures. It is within this rules-based framework that Australia-China relations must be conducted. As Australia has clearly signalled it will remain supportive of the current international legal institutions and norms, this necessitates an addition to the literature to fill the gap concerning how Australia can best propel its relationship forward with China based on a markedly different US direction. This is not something that has been examined in any comprehensive manner. Until just recently US foreign policy has been consistent in its objective to maintain the rules-based order it initiated, which was continued and amplified under former US President Barack Obama’s

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<sup>103</sup> Z. Fangyin, ‘The U.S. Alliance System in Asia: A Chinese Perspective’, *Asian Politics & Policy*, vol. 8, no. 1, 2016, p. 216.

<sup>104</sup> V. Mishra, ‘US Power and Influence in the Asia-Pacific Region: The Decline of ‘Alliance Mutuality’’, *Strategic Analysis*, vol. 40, no. 3, 2016, p. 169.

<sup>105</sup> Z. Khalilzad, ‘Trump and a Bipartisan foreign Policy’, *The National Interest*, January/February 2017, p. 81; M. Haberman & D. Sanger, ‘Transcript: Donald Trump Expounds on His Foreign Policy Views’, *The New York Times*, 26 March 2016, <https://nyti.ms/1VO7a89>, (accessed 7 August 2017).



‘Pivot to Asia’,<sup>106</sup> and which was construed as a clear attempt at containing China.<sup>107</sup> If this is now to undergo any sort of change with the US altering its international postures, it is imperative to determine how Australia will traverse such an international environment, particularly regarding its relationship with arguably the greatest power in the region – China. If this were to occur, Australia would be plunged into uncharted territory. This thesis will therefore add to the literature in examining what is sure to be a dynamic and fluid period, while providing clear options for Australia’s future.

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<sup>106</sup> H. Clinton, ‘America’s Pacific Century: The future of politics will be decided in Asia, not Afghanistan or Iraq, and the United States will be right at the center of the action’, *Foreign Policy*, 11 October 2011, <http://foreignpolicy.com/2011/10/11/americas-pacific-century/>, (accessed 7 August 2017).

<sup>107</sup> H.E. Xi Jinping, ‘New Asian Security Concept For New Progress in Security Cooperation’, *remarks at the Fourth Summit of the Conference on Interaction and Confidence Building Measures in Asia*, Shanghai, 21 May 2014, [http://www.fmprc.gov.cn/mfa\\_eng/zxxx\\_662805/t1159951/shtml](http://www.fmprc.gov.cn/mfa_eng/zxxx_662805/t1159951/shtml), (accessed 7 January 2017).

## **Chapter 3**

### **Trump Administration Policies: Implications for Australia**

Inauguration of a US president is the period during which foreign policy turns into a transition mode as the incoming administration takes time to translate its election campaign statements into policies. With Donald John Trump in the White House, unprecedented concern is witnessed, mainly because of his position on a number of foreign policy issues that challenge the existing, predictable, rules-based order. Therefore, this chapter delineates President Trump's pre and post-election policy postures. Subsequently, after elucidation of relevant policy postures follows an examination of the possible ramifications for US-Australia relations. The scope of this chapter is therefore limited to the policies that are likely to have bearing on relations with Australia.

This chapter is developed in four sections. The first section attempts an analysis of the efficacy of the current alliance system. The second section assesses the policy statements regarding the South China Sea (SCS). The third section examines Trump's trade overtures mainly in the context of the Trans-Pacific Partnership (TPP), and the final section attempts an analysis of the description provided in the preceding sections.

#### **Trump Administration's Policy Postures**

During the 2016 US presidential election campaign, Republican nominee Donald Trump was variously described as a ‘lying, amoral, narcissist’<sup>1</sup>, a ‘loathsome human being’ who is universally hated<sup>2</sup>, a ‘buffoon’<sup>3</sup>, and a ‘sociopath’.<sup>4</sup> After being elected as the 45<sup>th</sup> US president, many of those opinions are still being voiced.<sup>5</sup> At this inception stage, it is still a guesswork to chart out the current policies, specifically due to the significant disconnect that is emerging between the statements of Candidate Trump and President Trump. Even more confounding is the possibility that the current policy initiatives may be altered in the near future.

Trump’s campaign revolved around ‘America First’, an isolationist rhetoric.<sup>6</sup> He made numerous comments and policy statements but he did not even once single out Australia. Of the policy statements he made, significantly among them with potential to affect relations with Australia included the waste of US resources in maintaining the US-led alliance system, calling for it to be terminated. He advocated for an almost complete withdrawal from the Asia-Pacific region if alliance partners did not pay more for US protection, and he suggested that China should not be operating in the SCS without the US approval.

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<sup>1</sup> S. March, ‘US election: Donald Trump labeled ‘moron’ after linking Ted Cruz’s father to JFK assassination’, *ABC News*, 4 May 2016, <http://www.abc.net.au/news/2016-05-04/us-election-donald-trump-ted-cruz-jfk/7381690>, (accessed 14 May 2017).

<sup>2</sup> B. Gran, ‘Don’t Panic: Donald Trump Will Never, Ever Be President’, *Paste Magazine*, 4 May 2016, <https://www.pastemagazine.com/articles/2016/05/dont-panic-donald-trump-will-never-ever-be-preside.html>, (accessed 24 May 2017).

<sup>3</sup> Agence France Presse, ‘Trump branded ‘an idiot, a dangerous fool, and a wazzock’ by British MPs’, *AFP*, 18 January 2016, <http://www.thejournal.ie/trump-ban-uk-2555464-Jan2016/>, (accessed 24 May 2017).

<sup>4</sup> D. Eisenberg, ‘Judd Apatow: Donald Trump is an ‘Idiot,’ ‘Crazy Person’’, *Mediaite*, 2 November 2016, <http://www.mediaite.com/election-2016/judd-apatow-donald-trump-is-an-idiot-crazy-person/>, (accessed 24 May 2017).

<sup>5</sup> A.K. Raymond, ‘Voters Describe Trump As ‘Idiot’ and ‘Liar’ in Disastrous New Poll’, *New York Magazine*, 10 May 2017, <http://nymag.com/daily/intelligencer/2017/05/voters-call-trump-idiot-and-liar-in-disastrous-new-poll.html>, (accessed 24 May 2017); J. Hudson, ‘Richard Dreyfuss: ‘Idiot’ Donald Trump ‘Lacks Simple Common Decency’, *Breitbart News Network*, 29 March 2017, <http://www.breitbart.com/big-hollywood/2017/03/29/richard-dreyfuss-trump-idiot/>, (accessed 24 May 2017); M. Redmond, ‘Donald Trump Is A Goddamn Idiot: Civil War Edition’, *The Daily Banter*, 2 May 2017, <https://thedailybanter.com/2017/05/trump-civil-war-comments-andrew-jackson/>, (accessed 24 May 2017).

<sup>6</sup> Z. Khalilzad, ‘Trump and a Bipartisan foreign Policy’, *The National Interest*, January/February 2017, p. 81; M. Haberman & D. Sanger, ‘Transcript: Donald Trump Expounds on His Foreign Policy Views’, *The New York Times*, 26 March 2016, <https://nyti.ms/1VO7a89>, (accessed 7 August 2017).

## The Alliance Dilemma

During Trump's election campaign, his rhetoric about abandoning the international alliance system that the US established and maintained was exceptionally fierce, even though it would result in significantly less security for all. Along with repeatedly naming the transgressors he felt were sponging off of the US, including an 'obsolete' NATO, Japan and South Korea,<sup>7</sup> he suggested dissolving the alliance system, leaving states to provide for their own security.<sup>8</sup> While he never once mentioned Australia or the ANZUS alliance, this may have been a result of his primary argument that alliance states were not pulling their weight, whereas Australia had been fulfilling its alliance obligations, particularly in its military and other operations alongside the US.<sup>9</sup> Whatever the reason, from Australia's perspective it is recognised that any real threat to its national security will emanate from outside of Australia, and for this reason Australia's security, and the security of the overall region, is underpinned by the ANZUS alliance.<sup>10</sup> Of note, Trump does however desire a deepening of ties with the United Kingdom once it has exited the European Union.<sup>11</sup>

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<sup>7</sup> M. Rapp-Hopper, 'Trump's views go nuclear: He'd ditch U.S. policies that have kept arms races in check for decades', *USA Today*, 30 March 2016, <https://global-factiva-com.simsrad.net.ocs.mq.edu.au/ga/default.aspx>, (accessed 22 March 2017).

<sup>8</sup> J. Shapiro, 'Serious and Existential: The Clinton and Trump Challenges to Transatlantic Relations', *Instituto Affari Internazionali*, Working Paper no. 16, 26 October 2016, p. 3.

<sup>9</sup> R. Medcalf et al., *The Trump presidency and Australia's security: don't panic, don't relax*, Policy Options Paper, National Security College, Australian National University, Acton, ACT, no. 1, 2017, p. 2.

<sup>10</sup> Australian Government, *Australia's National Security Strategy*, Department of the Prime Minister and Cabinet, Canberra, ACT, 2013, pp. 27, 38.

<sup>11</sup> M. Leftly, 'Donald Trump's 'Brexit-Plus' Victory Leaves Some U.K. Lawmakers Cold', *Time*, <http://time.com/4564331/donald-trump-victory-brexit-special-relationship-britain/>, (accessed 5 September 2017).

Trump's campaign rhetoric of favouring a great relationship with Russia, while repeatedly denouncing NATO allies,<sup>12</sup> can be labelled as insulting its long-standing allies. US-Russia relations have never been exceptionally good, and are currently reported to be at their worst ever,<sup>13</sup> yet the NATO allies have stood in lockstep with the US since the Second World War. For a sitting US president to downgrade such an enduring relationship, in favour of one that has continually represented a security threat to the US, would undoubtedly leave a bitter taste, along with significant concern for US future intentions.

Trump's policy does however come at a time when there is already discussion about US commitment to the Asia-Pacific region. The United States Studies Centre at the University of Sydney suggests the US needs to address the concerns about its commitment to Asia and of remaining a global leader, to avoid any risk to its credibility or damage to its alliances, and to prevent states from believing they can challenge it, or its allies.<sup>14</sup> As it is, the other alliances the US maintains within the region appear not as resilient as ANZUS. In case the alliance system ceases, Australia's limited regional influence is likely to impair its ability to protect its vast interests. Therefore, it may necessitate Australia and other regional states (Japan, India, Indonesia, Singapore, South Korea, the Philippines and Vietnam) to strengthen their own ties to present not just a united front to balance Chinese assertiveness, but to also counter the false-hood that regional US allies are deliberately in a US-led alliance in an effort to contain China.<sup>15</sup> However, as Japan and South Korea are the region's major economic powers along with China, it is reasonable to assume that both countries would need to increase security responsibilities within the region. With Japan seeking to update its own security with

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<sup>12</sup> T. Wright, *The 2016 presidential campaign and the crisis of US foreign policy*, Analysis, Lowy Institute for International Policy, Sydney, NSW, October 2016, p. 7.

<sup>13</sup> P. McGeough, 'Guard rails off in volatile relationship', *The Sydney Morning Herald*, 1 August 2017, p. 12.

<sup>14</sup> United States Studies Centre, *The Australia-United States Partnership: A Report from The Alliance 21 Project*, United States Studies Centre, University of Sydney, Sydney, NSW, 1 October 2014, p. 33.

<sup>15</sup> *ibid.*, p. 3.

policies more in tune with current environmental constraints, this is likely to contribute to regional stability.<sup>16</sup> While South Korea is distrustful of Japan's military desires,<sup>17</sup> it would need to decide where from the most significant security threats emanate, and if Tokyo poses less of a risk, Seoul should consider improvement in bilateral relations with Japan.

Although Australia and Japan have bilateral<sup>18</sup> and trilateral ties,<sup>19</sup> critics argue that this relationship, and the possibility of forming an even closer alliance, could lead to Australia having to support Japan in any Sino-Japanese military conflict,<sup>20</sup> where Australia should instead maintain its neutrality. As Japan is considered a state least likely to tolerate China assuming regional hegemony,<sup>21</sup> such conflict is possible. Under the Trump administration, Australia would possibly need to develop its own security strategy, based on its own capabilities, that allows it a greater degree of self-reliance. To achieve this, it is reported that former Defence Chief Angus Houston suggested that this would necessitate increasing defence spending to four per cent of the GDP.<sup>22</sup> As this would require a virtual doubling of Australia's current defence spending commitments, it would therefore necessitate the removal of funding from other government services.

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<sup>16</sup> B. Schreer, 'Australia's 'special strategic relationship' with Japan: another 'China choice'?', *Australian Journal of International Affairs*, vol. 70, no. 1, 2016, p. 42.

<sup>17</sup> V. Mishra, 'US Power and Influence in the Asia-Pacific Region: The Decline of 'Alliance Mutuality'', *Strategic Analysis*, vol. 40, no. 3, 2016, p. 163.

<sup>18</sup> Australian Embassy, 'Australia-Japan relations', Tokyo, Japan, 2017, [http://japan.embassy.gov.au/tkyo/ausjpn\\_relations.html](http://japan.embassy.gov.au/tkyo/ausjpn_relations.html), (accessed 8 May 2017); A.G. Mulgan, *Australia-Japan relations: New directions*, Strategic Insights, Australian Strategic Policy Institute, Barton, ACT, no. 36, July 2007, p. 1.

<sup>19</sup> D. Lang, *The not-quite-quadrilateral: Australia, Japan and India*, Strategic Insights, Australian Strategic Policy Institute, Barton, ACT, no. 92, July 2015, pp. 1-2.

<sup>20</sup> H. White, 'Abbot Should Think Twice Before Becoming Friendly with Japan', *The Sydney Morning Herald*, 7 July 2014, <http://www.smh.com.au/comment/abbott-should-think-twice-before-becoming-friendly-with-japan-20140707-zsynj.html>, (accessed 21 May 2017).

<sup>21</sup> D. Roy, 'Meeting the Chinese Challenge to the Regional Order', *Asian Politics & Policy*, vol. 8, no. 1, 2016, pp. 203-204.

<sup>22</sup> F. Hunter, 'Top official delivers warning on US alliance', *The Sydney Morning Herald*, 25 November 2016, p. 5.

Due to China's challenge to the current US-led rules-based order within the region and the increasing potential for states such as Japan and Australia to experience a security dilemma, if the US plans to withdraw, the question then arises, does the destabilising security dilemma lessen in any significant way? Ultimately, if China is to become the accepted regional hegemon then this is likely, but if it is continually challenged by other claimant states within the SCS, then it is likely to become even more unstable with states pursuing increasingly aggressive actions against China, which would have been unlikely if the US has continued its involvement in the region. This very behaviour is anticipated of states from an offensive realist perspective that seek to increase their own security relative to the security of other states.<sup>23</sup>

In sum, should Trump abandon the alliance system, Australia will be in a position where it would need to provide for its own security that could be accomplished by forming a coalition of regional states, including Japan and South Korea, to ensure the regional status quo.

### **South China Sea Policy**

The alliance system has however been a mainstay in the US's SCS policy in that it provides Washington a range of forward operating positions within alliance partner countries.<sup>24</sup> In further strengthening the US power-base within the Asia-Pacific, the previous US administration attempted to establish the Trans-Pacific Partnership (TPP),<sup>25</sup> to which former

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<sup>23</sup> J.J. Mearsheimer, *The Tragedy of Great Power Politics*, W.W. Norton & Co, NY, 2001, p. 29; C. Elman & M.A. Jensen, 'Realisms', in P.D. Williams, ed., *Security Studies: An Introduction*, Routledge, NY, 2013, p. 22.

<sup>24</sup> RAND Corporation, *Overseas Basing of U.S. Military Forces: An Assessment of Relative Costs and Strategic Benefits*, National Defense Research Institute, CA, 2013, p. 75.

<sup>25</sup> J. Hannah, 'Muddier waters in the South China Sea', *The World Today*, December 2016 & January 2017, p. 22.

President Barack Obama, in reference to the TPP, asserted: ‘America should write the rules. America should call the shots... The United States, not countries like China, should write them’.<sup>26</sup> This is the same assertion that Trump carried into his presidency concerning the SCS. Trump stated that China was ‘building a massive fortress in the middle of the South China Sea, which they shouldn’t be doing’,<sup>27</sup> and then suggested China should have sought US approval for its SCS activities,<sup>28</sup> even though China claims sovereignty over it. With current Secretary of State Rex Tillerson reportedly stating at his Senate confirmation hearing that China’s ‘access to those islands is not going to be allowed’, only undermines China’s claims of sovereignty, so much so, that a Chinese Communist Party (CCP) controlled newspaper suggested preventing China’s access to the islands would require a ‘large-scale war’ to achieve.<sup>29</sup> With Australia recognising that ‘miscalculation or escalation is possible’ within the SCS,<sup>30</sup> such inflammatory comments could lead to precisely this end. It has since been reported that Tillerson has markedly toned down his comments.<sup>31</sup> From an offensive realist perspective, neither the US nor China would ever voluntarily weaken their positions or claims which would suggest escalation is more probable than the alternative.<sup>32</sup>

In yet another instance concerning the SCS, in May 2017 the US Navy sought permission from the Pentagon to conduct further Freedom of Navigation Operation (FONOP) activities

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<sup>26</sup> B. Obama, ‘President Obama: The TPP would let America, not China, lead the way on global trade’, *The Washington Post*, 2 May 2016, [https://www.washingtonpost.com/opinions/president-obama-the-tpp-would-let-america-not-china-lead-the-way-on-global-trade/2016/05/02/680540e4-0fd0-11e6-93ae-50921721165d\\_story.html?utm\\_term=.0a0e18ff73ae](https://www.washingtonpost.com/opinions/president-obama-the-tpp-would-let-america-not-china-lead-the-way-on-global-trade/2016/05/02/680540e4-0fd0-11e6-93ae-50921721165d_story.html?utm_term=.0a0e18ff73ae), (accessed 8 May 2017).

<sup>27</sup> Fox News, ‘Fox News Sunday Interview: Sitdown With President-Elect Trump’, *Fox News*, 11 December 2016.

<sup>28</sup> A. Panda, ‘Donald Trump Just Gave Chinese Hawks a Great Talking Point on the South China Sea’, *The Diplomat*, 5 December 2016, <http://thediplomat.com/2016/03/nukes-for-south-korea-and-japan-donald-trump-sees-no-problem/>, (accessed 16 June 2017)

<sup>29</sup> B. Haas, ‘Trump risks ‘war’ with Beijing if US blocks access to South China Sea, state media warns’, *The Guardian*, 13 January 2017, <https://www.theguardian.com/world/2017/jan/13/trump-risks-war-with-beijing-us-blocks-access-south-china-sea-state-media>, (accessed 15 January 2017).

<sup>30</sup> Australian Government, 2013, *loc. cit.*

<sup>31</sup> M. Cook & I. Storey, ‘The Trump Administration and Southeast Asia: Limited Engagement Thus Far’, *ISEAS-Yusof Ishak Institute*, Perspective, no. 27, 27 April 2017, pp. 5-6.

<sup>32</sup> X. Li, ‘Applying offensive realism to the rise of China: structural incentives and Chinese diplomacy toward the neighboring states’, *International Relations of the Asia-Pacific*, vol. 16, 2016, p. 249.



in the SCS, which was not approved.<sup>33</sup> Trump has however made no public statement about withdrawal from the SCS. While it is possible that any such withdrawal will not result in either large-scale regional conflict, or a significant reduction in US prosperity, and that regional states, including Australia, could ‘peacefully accommodate China’,<sup>34</sup> as already noted it is unlikely Japan would accept Chinese regional hegemony. Once again, taking an offensive realist position, China’s increase in power can only arise at the expense of, and therefore undermine, Japan’s security, which, due to the ensuing security dilemma would therefore never be tolerated.

While Australia is in a fortunate position due to its strong resistance from calls to join the US in formal FONOP activities within the SCS which would have risked Australia-China relations, it has however maintained the 30 year old ‘Operation Gateway’ which has the same effect but without the escalatory component.<sup>35</sup> However, a US withdrawal could effectively concede the SCS to China and with it the loss of ‘a major foothold in the western pacific’.<sup>36</sup> Although Michael Wesley suggests the US ‘presence’ within the region is a ‘prerequisite’ for claimant states to maintain their overall SCS claims,<sup>37</sup> it is difficult to imagine these claimant states withdrawing their claims even in the absence of the US. This would undoubtedly induce humiliation within the other SCS claimant states and would therefore suggest, even with the absence of the US in the SCS, claimant states will not willingly forgo their claims, as to do so would imperil their security to the benefit of China. Additionally, the Philippines legal victory at the Arbitral Tribunal is resolute. Therefore, the only change would be the

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<sup>33</sup> H. Cooper, ‘Trump’s Turn Toward China Curtails Navy Patrols in Disputed Zones’, *The New York Times*, 2 May 2017, <https://www.nytimes.com/2017/05/02/world/asia/navy-south-china-sea.html>, (accessed 13 May 2017).

<sup>34</sup> Roy, *loc. cit.*

<sup>35</sup> R. Madaus, ‘Why Australia Should Not Conduct FONOPS in the South China Sea’, *The Regionalist*, vol. 1, ed. 1, pt. 1, 2016, p. 5.

<sup>36</sup> M. Wesley, *Snapshot 11: What’s at stake in the South China Sea?*, Lowy Institute For International Policy, Sydney, NSW, July 2012, p. 2.

<sup>37</sup> *ibid.*, p. 3

perceived loss of US deterrence to reduce escalating hostilities. However, at the same time reports are made public regarding the Pentagon's denial of US Navy FONOP requests, a Pentagon spokesperson stated that the operations would be continuing but the information about them would only be released in an annual report.<sup>38</sup> While not confirmed by the Pentagon, it is believed the first FONOP under Trump's presidency occurred on 24 May 2017.<sup>39</sup>

If the US is to withdraw, from an offensive realist perspective, as well as Australia's perspective, this would be negatively viewed by the regional states. China has continually expressed concern over US actions within the SCS, particularly as the US is not a claimant state.<sup>40</sup> Since China has repeatedly stated it will respect the freedom of navigation of ships in the area,<sup>41</sup> it could be argued that the US withdrawal would therefore likely reduce the excuses, or limited incentive China has in finally resolving the disputes. While the US navigates in these disputed waters to demonstrate that its preferred rules-based order, including the United Nations Convention on the Law of the Sea (UNCLOS), is the dominant international regime to be adhered to, as well as its commitment to UNCLOS and its alliance partners, the issue for China is an inability to withdraw from the SCS without significant humiliation.<sup>42</sup> While a US withdrawal could therefore provide China the space it needs to settle the disputes peacefully which would bring stability to Australia's immediate region, the reality is offensive realism suggests it is more likely that China would rapidly seek to coerce the other littoral states to relinquish their claims which would be followed by military force

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<sup>38</sup> B. Starr & B. Westcott, 'Is US steering clear of South China Sea under Trump?', *CNN*, 5 May 2017, <http://edition.cnn.com/2017/05/04/politics/south-china-sea-trump-navy/>, (accessed 13 May 2017).

<sup>39</sup> K. Needham, 'China slams US warship 'provocation'', *The Sydney Morning Herald*, 26 May 2017, p. 15.

<sup>40</sup> M.J. Valencia, 'High Stakes Drama: The South China Sea Disputes', *Global Asia*, vol. 7, no. 3, 2012, p. 63.

<sup>41</sup> Wesley, *loc. cit.*

<sup>42</sup> Madaus, *op cit.*, p. 2.

should they refuse.<sup>43</sup> In this event, a US withdrawal is clearly disadvantageous to the regional status quo.

Realistically, Trump's risk-taking can only lead to greater instability. If he were to suspend FONOPs indefinitely, but not abandon the region, it could reduce this instability while maintaining the status quo. The status quo is ensured as the SCS islands hold little strategic value and can be decimated in war conditions within minutes,<sup>44</sup> a reminder that the US, even in its absence, would maintain military superiority over China, which China is all too aware.

In sum, the Trump administration's policy orientations towards the SCS have been markedly inconsistent. This imbroglio contributes to the region's instability. In case the US withdraws, it could possibly reduce China's antagonistic manoeuvres and help China reach a resolution to the disputes, without affecting Australia's security, however, it is more probable that China would seek to impose its will on its neighbours in a coercive manner creating an increased security dilemma.

## **Trade Policy**

Another of Candidate Trump's repeated policy proclamation's was to terminate the TPP, a proposed free-trade agreement between twelve Asia-Pacific countries as well as the US, but

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<sup>43</sup> Li, *loc cit.*

<sup>44</sup> 'China Rising: the challenges for Australia as China and the US struggle for supremacy in Asia', *Four Corners* [TV program], ABC1, 3 October 2016.

excluding China.<sup>45</sup> The TPP was an instrument former US President Obama invested considerable energy with other Southeast Asian states as a vehicle to not only strengthen US economic and trade ties with regional countries but also to facilitate overarching ‘structural reform’ and work to further ‘open economies’.<sup>46</sup> With such an initiative also being linked to the US-led alliance system, it creates a greater symbiotic relationship between the two, which works to make each initiative infinitely stronger than they are alone.

Marcus Noland and others suggest if the influence of the US within the region is diminished in any way it would not only undermine regional stability, but any notion the US does not wish to cooperate with its regional trading partners would call into question its reliability, while demonstrating its waning commitment to the region. The value of ratifying the TPP was therefore of such importance that its rejection can only undermine the leadership role of the US within the region and therefore provide China the needed mechanism for increased regional influence.<sup>47</sup> This demonstrates the symbiotic relationship as the TPP’s rejection would then work to undermine the alliance system. This increased influence is already evident with China’s commencement of the Regional Comprehensive Economic Partnership (RCEP) initiative that incorporates the major Asia-Pacific trading partners (ASEAN, Australia, India, Japan, South Korea, and New Zealand) which account for approximately 25 per cent of US exports.<sup>48</sup> Therefore, with President Trump withdrawing from the TPP immediately after assuming the office,<sup>49</sup> it allows the RCEP to be the dominant regional trade

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<sup>45</sup> I.F. Fergusson, M.A. McMinimy & B.R. Williams, ‘The Trans-Pacific Partnership (TPP): In Brief’, *Congressional Research Service*, 9 February 2016, <https://www.fas.org/sgp/crs/row/R44278.pdf>, (accessed 21 May 2017).

<sup>46</sup> Hannah, *loc cit.*

<sup>47</sup> *ibid.*, p. 18.

<sup>48</sup> A.G. Herrero, ‘Trump Could Give New Impetus to EU-China Relations’, *China US Focus*, Sheung Wan, 24 November 2016, <http://www.chinausfocus.com/finance-economy/trump-could-give-new-impetus-to-eu-china-relations>, (accessed 12 December 2016).

<sup>49</sup> G. Gertz, ‘What will Trump’s embrace of bilateralism mean for America’s trade partners?’, *The Brookings Institution*, Washington, D.C., 8 February 2017, <https://www.brookings.edu/blog/future-development/2017/02/08/what-will-trumps-embrace-of-bilateralism-mean-for-americas-trade-partners/>, (accessed 20 May 2017).

agreement. From an offensive realist perspective, this is but another step in China's attempts to achieve dominance within the region.

Further regional accommodations to China's views can also be witnessed in the 2013 proposal for a multilateral Asian Infrastructure Investment Bank (AIIB), which counts 57 founding members, including Australia and other US allies.<sup>50</sup> Another Chinese initiative is the massive 'Belt and Road' infrastructure project designed to connect Asia with the rest of the world by financing and building the necessary power plants, roads, ports and rail lines. While such endeavours appear to be already weakening US economic influence throughout the region, and while not ideal, the actual effect on Australia appears negligible. This is due to Australia maintaining its presence within the ASEAN Regional Forum (ARF),<sup>51</sup> as well as its inclusion within RCEP and AIIB ensuring its overall regional influence is sustained along with the current regional economic benefits, while simultaneously maintaining its security relationship with the US. This undoubtedly makes it easier for Australia. However, once again, China is slowly, in a piece-meal manner, usurping US regional power while increasing its own.

While a credible alliance system allows the US to withdraw from the SCS while still sustaining its regional dominance, it also ensures the status quo in the region and the rules-based international order that the SCSD threatens can be maintained. This then removes the need for Australia to have to balance its relationships between China and the US. Such a balancing act is sure to be tested with Candidate Trump's vows to impose 45 per cent tariffs

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<sup>50</sup> E.A. Feigenbaum, 'Trump and China', *The National Interest*, January/February 2017, p. 37.

<sup>51</sup> Australian Government, *ASEAN Regional Forum (ARF)*, Department of Foreign Affairs and Trade, Canberra, ACT, 2016, <http://dfat.gov.au/international-relations/regional-architecture/Pages/asean-regional-forum-arf.aspx>, (accessed 24 May 2017).

on Chinese imports. Australia could find itself in a difficult position where the US expects it to follow its lead. However, one of Trump's even more radical policy postures is the threat to withdraw from the World Trade Organisation (WTO) if the suggested tariffs breach any of its rules, even though this is one of the international organisations that was established as part of the US-led rules-based international order.<sup>52</sup> While it is possible this is yet another demonstration of Trump's negotiation tactics to secure better deals for the US, if China was to retaliate by also suspending its WTO obligations, the exit of the world's two largest economies would severely compromise effectiveness of the WTO. This argument holds currency on the basis the WTO would then seemingly have no jurisdiction or input into trade rules for almost a quarter of the global merchandise trade market. The damage to the current rules-based order would likewise be incalculable.

In sum, the US withdrawal from the TPP has undoubtedly allowed China to increase its economic influence via its own initiatives. While undermining the US regional leadership, Australia's position in the Chinese-backed initiatives ensures it retains a level of influence. The possible exit of both the US and China from the WTO would however create uncertainty surrounding global trade and should be avoided.

## **Analysis**

At the end of the Second World War, the US contributed to the establishment of an international rules-based system engineered to prevent such horrendous atrocities from reoccurring. However, US President Trump's current erratic and unpredictable behaviour is

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<sup>52</sup> P.S. Rashish, *The presidential campaign and the future of US trade policy: implications for transatlantic relations*, Policy Brief, European Policy Centre, Brussels, 27 October 2016, p. 2.

testing this system. His belief that reducing foreign policy to negotiations where the US must emerge victorious<sup>53</sup> indicates a lack of vision and long term strategic planning based on core liberal principles, yet it does however demonstrate, from an offensive realist perspective, that he wants the US to achieve increased security at the expense of those states he is negotiating with. Therefore, the argument that supports Australia maintaining the status quo and not strengthening its regional bilateral relationship with Japan<sup>54</sup> for fear of upsetting China, should continue to be ignored as it seemingly currently is.<sup>55</sup> Since the end of the Second World War, Japan has never demonstrated that it desires anything but enduring peace. Likewise, South Korea has also made no machinations towards regional hegemony. Based on these reasons alone, Australia should demonstrate it wants the same by further strengthening its ties with Japan and South Korea. If Australia supports Japan or South Korea for any belligerence act by China, then this should be accepted as part of maintaining the current system that has ensured Australia's and the region's prosperity. Remaining neutral and sitting on the fence should be discouraged if Australia intends to contribute in regional and global affairs.

Ultimately, this does not go far enough. China has clearly displayed it cares little about the rules it did not fashion, or that it is not at the centre of, as is demonstrated in its SCS land reclamation activities,<sup>56</sup> and even the divisions it causes within ASEAN.<sup>57</sup> This is however representative of its attempts to garner maximum power at the expense of all other states. No

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<sup>53</sup> D.J. Trump, 'Trump on Foreign Policy', speech delivered on foreign policy at an event hosted by the National Interest, 27 April 2016, <http://nationalinterest.org/feature/trump-foreign-policy-15960D>, (accessed 27 November 2017); D. Malhotra & J. Powell, 'What Donald Trump Doesn't Understand About Negotiation', *Harvard Business Review*, 8 April 2016, <https://hbr.org/2016/04/what-donald-trump-doesnt-understand-about-negotiation>, (accessed 27 November 2017), p. 4.

<sup>54</sup> H. White, 'Abbot Should Think Twice Before Becoming Friendly with Japan', *The Sydney Morning Herald*, 7 July 2014, <http://www.smh.com.au/comment/abbott-should-think-twice-before-becoming-friendly-with-japan-20140707-zsynj.html>, (accessed 21 May 2017).

<sup>55</sup> Australian Embassy, *op cit.*; Mulgan, *op cit.*, p. 1; Lang, *op cit.*, pp. 1-2.

<sup>56</sup> M. J. Green, P.J. Dean, B. Taylor & Z. Cooper, *The ANZUS Alliance in Ascending Asia*, Strategic & Defence Studies Centre, The Australian National University, Acton, ACT, July 2015, p. 11.

<sup>57</sup> R. Huisken, 'How to think about Australia's relationship with China', *Australian Journal of International Affairs*, vol. 71, no. 6, 2017, p. 564.

state is in favour of China achieving such unfettered and unchecked regional hegemony. Australia, Japan and South Korea should not just strengthen ties, but all Southeast Asian states that have concerns over China's actions, including India, need to coalesce into a single alliance or coalition that can speak with one voice. This is the only way that Australia and other states could afford the loss of the US security blanket, but still be able to ensure that continued prosperity is not imperilled. In addition, Australia should not pander to the concerns of China that such a coalition is aimed at containing it. The reality is that the very reason for the formation of such a coalition would be to constrain China, not to contain it, and this should be upheld publicly. Being part of such a large coalition of states would then likely be more palatable to the Australian public when defence costs rise significantly. However, should China continue to make the assertion it is being 'contained', from an offensive realist perspective this can be viewed as the coercive attempt that it is, which is designed to compel states to abandon the alliance and therefore bolster China's position. Offensive realism also predicts China has incentive to employ such coercive tactics to achieve its goals.<sup>58</sup>

A regional coalition will also have the added benefit of ensuring no one state has unilateral power within Asia. It would be a multi-polar Asian-based coalition, the very opposite to China's desires, but in line with those of the US.<sup>59</sup> It would ensure China being marginalised whenever it attempts to impose its hegemony. Unlike ASEAN, China should not be permitted to enter into the coalition. The reason for this is evident in the influence the RCEP, AIIB, and the Belt-and-Road initiative already provides China. It can be assumed that, over time, this influence will shift from the economic to the strategic sphere and undoubtedly have an impact within the SCS.

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<sup>58</sup> Li, *loc cit.*, p. 249.

<sup>59</sup> D. Ahlawat & F.C. Smith, 'Chapter 2: Indo-Pacific Region: Evolving Strategic Contours', in D. Gopal & D. Ahlawat, eds., *Indo-Pacific: Emerging Powers, Evolving Regions and Challenges to Global Governance*, Aakar Books, Delhi, 2016, p. 34. (Chapter 2: pp. 33-59).



Although there is no suggestion Australia should consider abandoning the ANZUS alliance as such, Canberra should however counter Trump's core argument of dissolving the alliance system by increasing its involvement within the region. This then allows the US to reduce its day-to-day regional security responsibilities and thereby limit Trump's sentiment that the US is being taken advantage of,<sup>60</sup> by having its allies perform more of the heavy lifting, all the while protecting the ANZUS alliance.

China's claims of sovereignty over the SCS, challenged by the US and its allies and warmongering rhetoric by the Trump administration, can only lead to Beijing rightfully increasing its military defences. This then would lead to an improved security position for these states, while undermining that of China, as offensive realism predicts. Such Trump language does however play appropriately to China's tunes, as it permits not just another incremental step forward in solidifying China's hold on power over the SCS, but also demonstrates internationally that it is the victim of US bullying. China will not simply give up its claim to the SCS as it will effectively result in the reduction to its overall security position as well as public humiliation, something China will not accept. The US can however counter China, with Chinese tactics, as the US withdrawal from the SCS eases the reasons China has in delaying a consensual resolution. This will also demonstrate to the international community that China is the bullying state and all other claimants are its victims. This could also result in public humiliation for China if its actions are displayed in too poor a light, which could then result in Chinese domestic disapproval, of which public opinion is

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<sup>60</sup> Trump, *op cit*.

something the CCP is 'mindful'.<sup>61</sup> Ultimately, offensive realism contends that China will never reach a consensual resolution where it accepts a reduction to its security, and the absence of the US will simply compel China to increase its coercive tactics over other SCS claimant states.

While Trump suggests China is stepping outside of its remit, his trade-based policies of huge tariffs and the threat of WTO withdrawal<sup>62</sup> if he cannot have his own way is contradictory. How can he expect China to follow the current rules-based order, while simultaneously threatening to abandon it himself? A China based newspaper has already raised this issue.<sup>63</sup> More so, if China follows suit, Trump's own actions would undoubtedly provide China the necessary mechanism to abandon all rules-based institutions and hasten its desire to implement its own systems.<sup>64</sup> If Trump follows through with his suggestions, the US would therefore lose all credibility and its double standards would be plain for all to see. Australia would be hard-pressed to support any US call to move against China with trade sanctions, etcetera, when the US clearly demonstrates that it operates above and outside the law. This only provides China further evidence that it continues to be oppressed by foreign powers that are acting to deliberately contain it. Viewed from an offensive realist perspective, it reveals both the US and China attempting to attain as much power as possible at the expense of each other, as is expected.

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<sup>61</sup> L. Jakobson, *China's unpredictable maritime security actors*, Lowy Institute for International Policy, Sydney, NSW, 2014, p. 26.

<sup>62</sup> Rashish, *loc cit.*, p. 2.

<sup>63</sup> W. Xiangwei, 'China Chafes At Lecture On 'Rules-Based Order', As Us Breaks All The Rules', *South China Morning Post*, *South China Morning Post*, 10 June 2017, <http://www.scmp.com/week-asia/opinion/article/2097252/china-chafes-lectures-rules-based-order-us-breaks-all-rules>, (accessed 6 December 2017).

<sup>64</sup> B. George, 'Trump's 'America First' Policy Will Give China Big Edge Over America', *Fortune*, 27 January 2017, <http://www.fortune.com/2017/01/27/donald-trump-china-america-first/>, (accessed 6 December 2017).

## **Conclusion**

Of all the revelations within this chapter, the most significant may well be the indecisive and erratic nature of arguably the world's most powerful leader. However, regardless of how President Trump is perceived, the current fluidity for change within the international environment suggests there exists a need for Australia and other states within the region to reassess their security architecture. Australia, along with other like-minded Southeast Asian states should form a coalition to not only demonstrate to the US the region is pulling its weight in security matters, but to ensure the status quo is maintained well into the future. This then ensures the survival of the alliance system.

While Trump himself reversed some policy postures since his election campaign, he did however execute the US withdrawal from the TPP. This drains US economic strength and weakens US regional leadership, while simultaneously strengthening China's trade expansion. Trump's suggestion of commencing a trade-war with 45 per cent tariffs on Chinese imports could see Australia a less than willing facilitator of such a plan. While many of Trump's postures and reversals may be negotiation tactics, abandoning the international institutions such as the WTO would only lead to international instability, thereby accelerating China's desire to supplement the current system with its own, and therefore should be discouraged.

Finally, a decision to forgo FONOPs within the SCS could have allowed China much needed room to concentrate on achieving bilateral resolutions with each of the claimant states,

without the needless background noise, even though offensive realism clearly suggests China would have used the opportunity to further coerce its SCS neighbours to align with its views. While China's rise cannot realistically be contained, and neither should it be, its rise does however stimulate concerns for Australia and the region's security when viewed through this offensive realist lens.

## **Chapter 4**

### **China's Policy Overtures: Implications for Australia**

After discussing the policy postures initiated by President Donald Trump regarding the alliance, South China Sea and trade relations, and translating their implications for Australia in the previous chapter, this chapter attempts to assess and analyse the policy postures initiated by China in response to Trump's declarations and their implications for Australia.

This chapter is developed in four sections. The first section examines China's desire and capability of usurping current US alliance partners. The second section examines China's postures towards the SCS. The third section assesses the efficacy of any trade-based threats against China, the US and Australia, and the final section attempts an analysis of the description provided in the preceding sections.

#### **China Usurping US Alliance Partners**

China supports a unipolar Asia dominated by Beijing,<sup>1</sup> a dislike for the US alliance system, and the US military presence in the region. China has for some time labelled the alliance system as a relic of the past that reeks of Cold War mentality, which has no place in the

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<sup>1</sup> D. Ahlawat & F.C. Smith, 'Chapter 2: Indo-Pacific Region: Evolving Strategic Contours', in D. Gopal & D. Ahlawat, eds., *Indo-Pacific: Emerging Powers, Evolving Regions and Challenges to Global Governance*, Aakar Books, Dehli, 2016, p. 38.

region today.<sup>2</sup> To achieve its objectives, China is intentionally engaging in acts to demonstrate that the US has limited interest in supporting its allies against the regional order initiated by Beijing.<sup>3</sup> This intentional behaviour is on display in China where the popular phrase ‘de-Americanisation’ has started to shape China’s foreign policy.<sup>4</sup> Further evidence of China wanting to usurp the US within the region is in its use of the Conference of Interaction and Confidence-Building in Asia (CICA). President Xi ‘invigorated’ the languishing CICA, a multilateral forum, whose membership excludes the US and most of its Asia-Pacific allies.<sup>5</sup> This behaviour mirrors China’s support to South Pacific forums that deliberately exclude Australia and New Zealand.<sup>6</sup> However, China’s approach is further exemplified in its use of other US non-inclusive dialogues including the Six-Party Talks, the Shanghai Cooperation Organisation (SCO) and the One Belt One Road (OBOR) forum. Along with such dialogues, China is also increasingly relying on a rapidly ‘growing network of China-dominated economic institutions’, such as the Regional Comprehensive Economic Partnership (RCEP).<sup>7</sup> Specifically concerning the CICA, it was at this forum that President Xi argued that the region required a new security architecture where Asian states solely managed Asia’s security, without interference from external states.<sup>8</sup> When such a security initiative is aligned with China-led economic initiatives such as the RCEP, the Asian Infrastructure Investment Bank (AIIB), and the OBOR infrastructure project, it can only place increased pressure on US allies to enter into and accept China’s sphere of influence if they wish to enjoy any

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<sup>2</sup> Reuters, ‘Unsure of U.S., Asia builds new alliances to counter China’, *Reuters*, 5 June 2017, <http://in.reuters.com/article/asia-security-allies/unsure-of-u-s-asia-builds-new-alliances-to-counter-china-idINKBN18V0M9>, (accessed 3 September 2017).

<sup>3</sup> H. White, ‘Explaining China’s behavior in the East and South China Seas’, *Lowy Interpreter*, 22 May 2014, <http://www.lowyinterpreter.org/post/2014/05/22/Explaining-Chinas-behaviour-in-the-East-and-South-China-Seas.aspx?COLLCC=3772472536&>, (accessed 27 June 2017).

<sup>4</sup> S. Zhao, ‘A New Model of Big Power Relations? China-US strategic rivalry and balance of power in the Asia-Pacific’, *Journal of Contemporary China*, vol. 24, no. 93, 2015, p. 382.

<sup>5</sup> *ibid.*

<sup>6</sup> P.J. Connolly, ‘Engaging China’s new foreign policy in the South Pacific’, *Australian Journal of International Affairs*, vol. 70, no. 5, 2016, p. 487.

<sup>7</sup> T.R. Heath, ‘China and the U.S. Alliance System’, *The Diplomat*, 11 June 2014, <http://thediplomat.com/2014/06/china-and-the-u-s-alliance-system/>, (accessed 3 September 2017).

<sup>8</sup> H.E. Xi Jinping, ‘New Asian Security Concept For New Progress in Security Cooperation’, *Remarks at the Fourth Summit of the Conference on Interaction and Confidence Building Measures in Asia*, Shanghai, 21 May 2014, [http://www.fmprc.gov.cn/mfa\\_eng/zxxx\\_662805/t1159951.shtml](http://www.fmprc.gov.cn/mfa_eng/zxxx_662805/t1159951.shtml), (accessed 8 August 2017).

benefits the system brings. China's recent initiatives demonstrate that Beijing well understands the need to combine both economic and security interests to usurp the US allies.

There is already concern that the US allies Thailand and the Philippines are tilting both their economic and security relations towards China.<sup>9</sup> China is also offering significant financial incentive to SCS littoral states as part of its OBOR infrastructure project in a tactic to use its considerable soft power, via 'economic diplomacy', to bring these states around to Beijing's purview.<sup>10</sup> Beijing has accelerated foreign investment in Thailand, even after the military coup in 2014 resulted in a slump in foreign investment. Thailand has also expanded its relations to joint-military exercises and purchasing Chinese submarines.<sup>11</sup> In a similar vein, Philippines President Rodrigo Duterte visited China and agreed to bilateral talks on the SCS and a promise of \$13.5 billion in trade deals.<sup>12</sup> In addition, Cambodia, another key supporter of China, which is particularly apparent within ASEAN, has benefited with more than \$10 billion in Chinese aid.<sup>13</sup> Offering such benefits is still viewed within the offensive realist purview as economic coercion and is recognised as necessary if China is to develop 'friends and partners to cope with potential rivals more effectively'.<sup>14</sup>

In a bid to further undermine the alliance system, China has aligned its initiatives strategically, for example, the AIIB, which, with the exception of Japan, virtually includes all

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<sup>9</sup> W.T. Tow, *Trump and strategic change in Asia*, Strategic Insights, Australian Strategic Policy Institute, Barton, ACT, no. 113, January 2017, p. 6.

<sup>10</sup> S.M. Young, 'U.S.-China Relations: Balancing Cooperation and Competition in the Most Important Bilateral Relationship in Both the Region and the World', *American Foreign Policy Interests*, vol. 37, no. 2, 2015, p. 172; N. Roy, 'Dragon-Elephant Relationship in the South China Sea Imbroglio', *Journal of Third World Affairs*, vol. 32, no. 1, 2015, p. 185.

<sup>11</sup> H. Beech, 'Beijing's Adroit Diplomacy Is Isolating the U.S. in Asia', *Time*, 21 October 2016, <http://time.com/4539911/us-china-asia-diplomacy-philippines-thailand-japan/>, (accessed 4 September 2017).

<sup>12</sup> *ibid.*

<sup>13</sup> B.S. Glaser, China's Coercive Economic Diplomacy: A new and A Worrying Trend, *PacNet*, Pacific Forum CSIS, Honolulu, Hawaii, 23 July 2012, p. 1, <http://csis.org/files/publication/Pac1246.pdf>, (accessed 1 July 2017)

<sup>14</sup> X. Li, 'Applying offensive realism to the rise of China: structural incentives and Chinese diplomacy toward the neighboring states', *International Relations of the Asia-Pacific*, vol. 16, 2016, p. 249.

of the US allies and partners,<sup>15</sup> was created to fund the OBOR initiative.<sup>16</sup> This is yet another coercive economic mechanism China can employ to ensure regional states are drawn into its web of influence. However, Beijing also urges overseas Chinese nationals to promote OBOR projects,<sup>17</sup> which closely aligns with warnings from the Australian Security and Intelligence Organisation (ASIO) that Chinese nationals are attempting to influence the political outcomes.<sup>18</sup> The more China initiated institutions Australia and other allied states join, there will be a greater level of Chinese influence and lesser US influence.

To substantiate this argument, for example, President Duterte announced in October 2016 that the Arbitral Tribunal's ruling, though in favour of the Philippines, would be 'set aside' in response to its realignment away from the US and into China's sphere of influence.<sup>19</sup> This statement was later clarified with the explanation that the Philippines sought to reach a 'more equitable' bilateral resolution with China.<sup>20</sup> While relations between the Philippines and China appear to have improved after their 2012 dispute over the Scarborough Shoal,<sup>21</sup> with China allowing Philippine fishermen to return to the area for fishing,<sup>22</sup> from an offensive realist purview it is doubtful this will continue in the long-term and that Beijing will allow any of its claims over the SCS to be diluted. This reality was made evident when China

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<sup>15</sup> W.T. Tow & S. Limaye, 'What's China Got to Do With It? U.S. Alliances, Partnerships in the Asia-Pacific', *Asian Politics & Policy*, vol. 8, no. 1, 2016, p. 21.

<sup>16</sup> G. Wade, China's 'One Belt, One Road' initiative, Commonwealth of Australia, Canberra, ACT, [http://www.aph.gov.au/About\\_Parliament/Parliamentary\\_Departments/Parliamentary\\_Library/pubs/BriefingBook45p/ChinaRoad](http://www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Library/pubs/BriefingBook45p/ChinaRoad), (accessed 3 September 2017).

<sup>17</sup> *ibid.*

<sup>18</sup> N. McKenzie et al., 'ASIO warns politicians on Chinese donations', *The Sydney Morning Herald*, 6 June 2017, p. 1; C. Uhlmann, et al., 'ASIO investigation targets Communist Party links to Australian political system', *Four Corners* [TV program], ABC1, 5 June 2017.

<sup>19</sup> C.H. Wong, 'In Setback to U.S., Philippines Sets Aside Dispute With China', *The Wall Street Journal*, 20 October 2016, <https://www.wsj.com/articles/china-philippines-set-south-china-sea-dispute-aside-1476959210>, (accessed 23 July 2017).

<sup>20</sup> Sun Star Manila, 'Duterte "not giving up" on South China Sea ruling', *Sun Star Manila*, 21 December 2016, <http://www.sunstar.com/ph/manila/local-news/2016/12/21/duterte-not-giving-south-china-sea-ruling-516335>, (accessed 13 June 2016).

<sup>21</sup> S.C. Greitens, 'U.S.-China Relations and America's Alliances in Asia', The Brookings Institution, Washington, D.C., 11 June 2013, <https://www.brookings.edu/opinions/u-s-china-relations-and-americas-alliances-in-asia/>, (accessed 6 December 2016).

<sup>22</sup> T. Cerojano, 'Australia calls for enforceable South China Sea pact soon', *Asian Maritime Reviews* [website], 16 March 2017, <http://asiamaritime.net/australia-calls-for-enforceable-south-china-sea-pact-soon/>, (accessed 13 June 2017).



announced plans to build an environmental monitoring station on the Scarborough Shoal, clearly within the Philippines Exclusive Economic Zone (EEZ), in a clear breach of UNCLOS rules, to which Duterte reportedly could only reply: ‘we cannot stop China from doing this thing, the Americans were not able to stop it’.<sup>23</sup> He effectively acknowledged that China can do whatever it wants, with impunity.

While any realignment of current US allies to China’s influence would provide Beijing the required impetus to implement its own security architecture, the Philippines response could be indicative of sentiments of other states. That is, while states may desire greater independence, the current security environment precludes this, particularly when a state is reliant on the security of an external power that is not available domestically. This was demonstrated by Australian Prime Minister Malcolm Turnbull, in his keynote address at the 2017 Shangri-La Dialogue in Singapore. He warned China that attempting to coerce its neighbours to cede their claims of sovereignty, which is a clear reference to the SCSD, would only result in more states looking to form security partnerships to ‘counterbalance’ Beijing’s actions,<sup>24</sup> rather than the reverse. However, a significant concern is that for the US to maintain its primacy and power-projection capability within the region, it is reliant upon using a sovereign state’s land for the purpose of its military operations.<sup>25</sup> Therefore, should the alliance system falter, and should the US be denied access to the facilities it maintains within its alliance-partner countries, it would all but eliminate its ability to project force anywhere in Australia’s region. While the breakdown of the alliance system could negatively

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<sup>23</sup> J. Seidel, ‘China’s plans to build bases on Scarborough Shoal raises tensions’, *News Limited*, 20 March 2017, <http://www.news.com.au/world/chinas-plans-to-build-bases-on-scarborough-shoal-raises-tensions/news-story/f0afa0c876852852a052b58c34bc3c97>, (accessed 20 May 2017).

<sup>24</sup> M. Turnbull, ‘Keynote address at the 16<sup>th</sup> IISS Asian Security Summit, Shangri-La Dialogue’, *Malcolm Turnbull* [website], 3 June 2017, <https://malcolmturnbull.com.au/media/keynote-address-at-the-16th-iiss-asia-security-summit-shangri-la-dialogue>, (accessed 13 June 2017).

<sup>25</sup> RAND Corporation, *Overseas Basing of U.S. Military Forces: An Assessment of Relative Costs and Strategic Benefits*, National Defense Research Institute, CA, 2013, p. 75.

impact Australia's security, presently there is no evidence to suggest the alliance system will be discontinued while the US maintains its Asia-Pacific presence.

While not necessarily a direct result of Trump's postures, China has implemented legislative changes that will ultimately weaken alliances further and increase Beijing's influence. Whereas Chinese capital has been underwriting approximately 33 per cent of new dwelling developments within Australia, this has now dropped to 11 per cent<sup>26</sup> as a result of new Chinese legislation prohibiting citizens from purchasing 'foreign exchange for overseas investment'.<sup>27</sup> This will not only create further pressure on Australia's housing market with a slump in new supply, but represents a loss of Foreign Direct Investment (FDI) in Australia. However, if Australia intends to continue Chinese-backed FDI then it needs to comply with the Chinese legislation mandating that foreign investments must 'conform to China's efforts towards peaceful development and mutually beneficial co-operation'.<sup>28</sup> Effectively, for Australia to benefit from Chinese investment it must more closely align with China's initiatives – the very initiatives which will only increase China's regional influence and work to erode traditional US alliances. The effects of this are already visible in a Chinese consortium purchase, as part of the OBOR, of Darwin Port, which upset Washington,<sup>29</sup> but which, in an incremental fashion, further demonstrates how China is slowly usurping a US ally.

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<sup>26</sup> S. Carbines, 'China's crackdown on foreign investment may make it harder for first home buyers to get into the market', 21 August 2017, *News Limited*, <http://www.news.com.au/national/china-cracks-down-on-foreign-investments-amid-fears-companies-are-racking-up-too-much-debt/news-story/bfb7fb7d6c474e052d2fee1a84e8ea83>, (accessed 3 September 2017).

<sup>27</sup> D. Scutt, 'Enter The Dragon: There's finally hard data on the huge role of foreign buyers in Australian property', *Business Insider*, 24 March 2017, <https://www.businessinsider.com.au/foreign-investment-in-australian-housing-2017-3>, (accessed 3 September 2017).

<sup>28</sup> *ibid.*

<sup>29</sup> B. Smee & C.A. Walsh, 'How the sale of Darwin port to the Chinese sparked a geopolitical brawl', *The Guardian*, 18 December 2016, <https://www.theguardian.com/australia-news/2016/dec/18/how-the-sale-of-darwin-port-to-the-chinese-sparked-a-geopolitical-brawl>, (accessed 3 September 2017).

However, the above description is not unexpected when an offensive realist framework is applied. China's deployment of its own forums; its support to an internationally isolated Thailand in 2014; its support to Cambodia; its environmental monitoring station within the Philippines EEZ; and its deliberate legislative goals to coerce states to acquiesce to its influence only demonstrates China's desire to increase its total amount of power at the expense of all other states, as well as the current US-led rules-based order. China's actions are therefore to be expected.

In sum, China is attempting to not only undermine US credibility in the Asia-Pacific, but also US alliances by drawing regional states further into Beijing's sphere of influence as offensive realism anticipates.

### **China's SCS Posture**

China's position on the US-led alliance system directly correlates and is therefore linked with its SCS posture. For China to achieve its objectives within the region, it believes the abolition of the alliance system is necessary.<sup>30</sup> All of China's actions are based on this premise. For example, in response to Secretary of State Rex Tillerson's comments about denying China access to its reclaimed islands, Chinese media asserted that it would not hesitate to go to war for the islands that constitute its core interest.<sup>31</sup> Instead of retracting from its overtures, Beijing has rather upped the ante for its claims over SCS sovereignty in the face of Trump and Tillerson's rhetoric. In this regard, President Xi made crystal clear in a statement,

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<sup>30</sup> Heath, *op cit.*; Li, *op cit.*, p. 260.

<sup>31</sup> B. Haas, 'Trump risks 'war' with Beijing if US blocks access to South China Sea, state media warns', *The Guardian*, 13 January 2017, <https://www.theguardian.com/world/2017/jan/13/trump-risks-war-with-beijing-us-blocks-access-south-china-sea-state-media>, (accessed 15 January 2017).

marking the 90<sup>th</sup> anniversary of the founding of the People's Liberation Army (PLA), that China 'will never permit the loss of "any piece" of its land to outsiders' and nor should Beijing simply be expected to allow it to occur.<sup>32</sup> This is clearly offensive realist doctrine. Even though SCS sovereignty is disputed, China is pressing its claims to sure up its own power/security at the expense of other states. It is therefore clear that China has no intentions of withdrawing from its claims, even in the face of US or international pressure. Most recently, a spokesperson for China's foreign ministry reportedly rebuked the 'foreign forces that continue to make trouble under 'freedom of navigation'',<sup>33</sup> a clear broadside at states such as the US and Australia. At the ASEAN this year, the US, Australia and Japan released a joint statement opposing 'coercive unilateral action' and any 'militarisation of disputed features',<sup>34</sup> to which China's *Global Times* reportedly responded by labelling the states 'a little bit bad'.<sup>35</sup>

Over the past 70 years, the SCS has been relatively stable due primarily to the US-led rules-based order. On 11 August 2017, it was reported that China's defence ministry labelled US FONOP activities as a provocative move that eroded bilateral mutual trust and further suggested that such US provocations would result in Beijing increasing its defensive capacity around its islands.<sup>36</sup> This is exactly the excuse China requires to take another incremental step forward in attaining its goal of SCS sovereignty. Offensive realists are already of the view that China seeks to undo or challenge the current international order via the diminishment of

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<sup>32</sup> Associated Press, 'Xi says China will never permit loss of 'any piece' of land', *Associated Press*, 1 August 2017, <http://newsinfo.inquirer.net/919418/xi-says-china-will-never-permit-loss-of-any-piece-of-land>, (accessed 7 September 2017).

<sup>33</sup> K. Needham, 'Disputed waters Chinese rebuke: 'Show of force' by US prompts counter action', *The Sydney Morning Herald*, 12 August 2017, p. 20.

<sup>34</sup> U.S. Department of State, *Australia-Japan-United States Trilateral Strategic Dialogue Ministerial Joint Statement*, Department of State, Office of the Spokesperson, Washington, D.C., 6 August 2017, <https://www.state.gov/r/pa/prs/ps/2017/08/273216.htm>, (accessed 6 September 2017).

<sup>35</sup> Needham, *loc. cit.*

<sup>36</sup> *ibid.*

US hegemony.<sup>37</sup> This is further demonstrated through China's refusal to recognise the Philippines-initiated Arbitral Tribunal, as well as its disregard of UNCLOS Article 300 requiring all parties to act in a manner that does not constitute an 'abuse of right',<sup>38</sup> which the Arbitral Tribunal determined China had breached.<sup>39</sup> The Arbitral Tribunal also determined that China had acted in a manner that aggravated the dispute prior to a settlement decision, in contravention of standing international law.<sup>40</sup> It clearly creates a situation demonstrative of China's lack of interest in a US-led rules-based order. This creates difficulties for Australia who prescribes to such an order. This is clearly a state not interested in maintaining the status quo. While China, in its economically weaker state has benefited greatly from the current system, even if it did not accept the principles underpinning the current rules-based order, in a stronger economic state it confronts a situation where challenging the status quo in order to implement its own system will achieve greater gains than continued participation within the incumbent system. Again though, these gains are at the expense of all other states.

Moreover, China's delaying tactics in the formalisation of the Code of Conduct (COC) for ASEAN nations within the SCS helps Beijing in pursuing its interest in the SCSD.<sup>41</sup> Although Gregory Poling is one expert, who believes its non-binding status ensures it is largely worthless.<sup>42</sup> This is the further evidence that China does not care about any order it did not fashion – let alone the global rules-based order – as it does whatever it wants with impunity.

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<sup>37</sup> F. Zhu & P. Lu, 'Be strong and be good? Continuity and change in China's international strategy under Xi Jinping', *China Quarterly of International Strategic Studies*, vol. 1, no. 1, 2015, p. 20.

<sup>38</sup> United Nations, *United Nations Convention on the Law of the Sea (UNCLOS) 1982*, Part XVI, Article 300.

<sup>39</sup> PCA Case No 2013-09, *The South China Sea Arbitration Award of 12 July 2016*, The Hague, Permanent Court of Arbitration, 12 July 2016, p. 464.

<sup>40</sup> *ibid.*, pp. 458-461.

<sup>41</sup> M. Rapp-Hooper, 'Parting the South China Sea: How to Uphold the Rule of Law', *Foreign Affairs*, vol. 95, iss. 5, 2016, p. 3.

<sup>42</sup> G. Poling, 'Prepare For A Stormy, 2017 In The South China Sea', *Asia Maritime Transparency Institute*, Washington, D.C., 12 January 2017, <https://amti.csis.org/prepare-stormy-2017-south-china-sea/>, (accessed 27 June 2017).

Further evidence is available in the form of ASEAN. ASEAN was created to resolve Asian-based issues, the very ideal President Xi recently argued for, yet it has had little success in resolving the SCSD. Worse still, the possibility of ASEAN reaching a consensus over the SCSD is unlikely primarily because each claimant state is unwilling to relinquish ‘nationalist interests’ in order to serve the interest of the collective,<sup>43</sup> which is expected from an offensive realist perspective. No state will willingly allow another state increased gains at its own expense as this will only fuel an increasing security dilemma.<sup>44</sup> This was evidenced in 2012, when Cambodia ignored ASEANs wider interests in order to protect its relationship with and appease China, by refusing to release a joint ASEAN communique, in which the Philippines and Vietnam had requested that a reference be made to China’s aggression within the SCS.<sup>45</sup> In 2016, even the Arbitral Tribunal award was not included in the ASEAN communique, again due to Cambodia.<sup>46</sup> And this year, Cambodia and Laos stymied Vietnam’s bid to have ASEAN agree to make the COC legally binding,<sup>47</sup> with the blame again resting with China. The division or disagreements that exist between ASEAN states can only destabilise the region further.

However, from an offensive realist perspective, China’s vying for increased regional influence extends its power.<sup>48</sup> Within the SCS, the military facilities China has built upon the reclaimed islands provides it the capability to project its power further by the establishment

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<sup>43</sup> G. Collinson & C.B. Roberts, ‘The Role of ASEAN’, in L. Buszynski & C. Roberts, eds., *The South China Sea And Australia’s Regional Security Environment*, National Security College Occasional Paper, The Australian National University, Acton, ACT, no. 5, September 2013, p. 39.

<sup>44</sup> R. Jervis, ‘Cooperation Under The Security Dilemma’, *World Politics*, vol. 30, no. 2, 1978, p. 169.

<sup>45</sup> Collinson & Roberts, *op cit.*, p. 38.

<sup>46</sup> L. Wroughton & M. Petty, ‘Philippines says ASEAN omission of arbitration case not a Chinese victory’, *Reuters*, 27 July 2016, <http://www.reuters.com/article/us-southchinasea-ruling-philippines/philippines-says-asean-omission-of-arbitration-case-not-a-chinese-victory-idUSKCN107064>, (accessed 6 September 2017).

<sup>47</sup> L. Murdoch, ‘South China Sea Foreign ministers in territorial negotiations: Neighbors tiptoe around key issue’, *The Sydney Morning Herald*, 8 August 2017, p. 13.

<sup>48</sup> J.J. Mearsheimer, *The Tragedy of Great Power Politics*, W.W. Norton & Co, NY, 2001, p. 35.

of anti-aircraft and anti-missile systems at these facilities.<sup>49</sup> There is no reason China could not position Inter-Continental Ballistic Missiles (ICBMs) on these islands either. As such, ASEAN's failure to resolve the SCSD is therefore a risk to Australia's security, particularly if, as Leszek Buszynski argues, Chinese naval power development could also lead to other SCS claimants increasing their own military capabilities.<sup>50</sup> This then would only lead to greater instability and more weapons' systems on Australia's doorstep, fuelling an increasing security dilemma for Australia.

Importantly, China does maintain a dependence on the goods transited through the SCS and therefore, even in the absence of the US-led rules-based order, or a regional US presence, has a vested interest, at least as much as any other state for the ongoing security of commercial shipping.<sup>51</sup> Disrupting commercial shipping in the SCS is counter-productive to China's economic interests, particularly as it has the greatest volume of exports passing through the SCS.<sup>52</sup> However, while this is essentially a liberalist argument, offensive realism reveals China will prioritise its security requirements even if it imperils its economy.<sup>53</sup> More so, even in the face of such logic, regardless of any other argument, the evidence is becoming so overwhelmingly compelling that there is substantial implications for Australia. China's confinement within the current system is at an end. It is imposing its own institutions, already demonstrates a powerful physical presence on its artificial islands and it clearly has little

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<sup>49</sup> J.A. Bader, 'U.S.-China challenges: Time for China to step up', *The Brookings Institution*, Washington, D.C., 12 January 2017, <https://www.brookings.edu/research/u-s-china-challenges-time-for-china-to-step-up/>, (accessed 27 June 2017); Poling, *op cit*.

<sup>50</sup> L. Buszynski, 'Rising Tensions in the South China Sea: Prospects for a Resolution of the Issue', *Security Challenges*, vol. 6, no. 2, 2010, p. 93.

<sup>51</sup> G. Austin, 'Australia's Interests in the South China Sea', *The Diplomat*, 2 November 2015, <http://thediplomat.com/2015/11/australias-interests-in-the-south-china-sea/>, (accessed 23 October 2017).

<sup>52</sup> CSIS, 'How much trade transits the South China Sea?', *China Power Project*, Center for Strategic and International Studies, Washington, D.C., 2 August 2017, <https://chinapower.csis.org/much-trade-transits-south-china-sea/>, (accessed 4 September 2017).

<sup>53</sup> S.G. Brooks, 'Dueling Realisms', *International Organization*, vol. 51, no. 3, 1997, pp. 450-453; J.J. Mearsheimer, 'Discord Restored', in G. Allison & G.F. Treverton, eds., *Rethinking America's Security: Beyond Cold War to New World Order*, W.W. Norton, NY, 1992, p. 222.

respect for UNCLOS. Therefore, currently it may be in China's interest not to impede shipping in the SCS, however it is difficult to envision how future strategic circumstances will evolve and whether China will take a different position.

In sum, the ability of the US to maintain unilateral control over the SCS is fading, with China's power reaching a place of dominance. Australia will experience an increasing security dilemma not just because of China's clear disregard for the current rules-based order, but also due to its growing regional influence.

### **Trade Sanctions and their Efficacy**

The current US-led alliance system creates a powerful coalition that can be employed to undermine a state's economy. It is therefore not surprising that China has reacted angrily to Trump's repeated calls to impose trade tariffs<sup>54</sup> over everything from its SCS posture, to perceived currency manipulation.<sup>55</sup> In August Trump initiated an investigation into whether China 'steals US intellectual property and discriminates against US technology companies', in view of implementing possible sanctions, to which Beijing reportedly warned it would retaliate if required.<sup>56</sup> Most recently, Trump has also threatened trade sanctions against any

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<sup>54</sup> S. Donnan, 'China warns US of retaliation if Trump imposes tariffs', *Financial Times*, 7 January 2017, <https://www.ft.com/content/06638c26-d42c-11e6-9341-7393bb2e1b51>, (accessed 3 February 2017).

<sup>55</sup> 'Trump accuses China of currency manipulation, could lead to trade war', *Hindustantimes*, 5 December 2016, <http://www.hindustantimes.com/world-news/trump-accuses-china-of-currency-manipulation-could-lead-to-trade-war/story-naiRudd29mqf5nGi9cvVGJ.html>, (accessed 20 May 2017).

<sup>56</sup> K. Needham, 'China won't sit idle if US takes action over potential IP breach', *The Sydney Morning Herald*, 16 August 2017, p. 25.



state trading with North Korea, which China is reportedly displeased with, due to being threatened with sanctions even though it has worked to try and resolve the crisis.<sup>57</sup>

Trump's current trade threats are however designed to compel China to apply pressure on North Korea to end its missile program. His earlier tariff threats were aimed at appealing to his supporter base who felt they had lost employment due to cheap Chinese imports.<sup>58</sup> The idea of tariffs is to increase prices on imported goods, or restrict the volume of imported products so significantly that it stimulates consumers to purchase locally produced products,<sup>59</sup> and thereby boost employment. However, the *Global Times* reportedly indicated that Beijing would take a "tit-for-tat approach" and China would retaliate by substituting already ordered Boeing aircraft for French-made Airbus aircraft instead, automobile and iPhone sales would suffer, and US soybean and maize imports will be halted'.<sup>60</sup> Of importance in the face of these threats and counter-threats, is Robert Rubin, co-chairman of the Council of Foreign Relations. He made crystal clear that the economic future of China and the US is so substantially intertwined, the failure of one would result in the failure of both.<sup>61</sup>

This represents liberal optimism of the power of economic interdependence,<sup>62</sup> however, in both states pursuit of increased levels of security neither seems too concerned that its actions

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<sup>57</sup> K. Needham, 'North Korea fears of new missile launch: Threat of massive US strike', *The Sydney Morning Herald*, 5 September 2017, p. 8.

<sup>58</sup> P. Chacko & K. Jayasuriya, 'Trump, the authoritarian populist revolt and the future of the rules-based order in Asia', *Australia Journal of International Affairs*, vol. 71, no. 2, 2017, pp. 124-125.

<sup>59</sup> D. Taylor, 'China-US trade war the single biggest economic threat to Australia', *ABC News*, 11 January 2017, <http://www.abc.net.au/news/2017-01-11/trade-war-between-us-and-china-a-major-threat-to-australia/8172562>, (accessed 3 September 2017).

<sup>60</sup> Fox News, 'For Americans, Trump's tariffs on imports could be costly', *Fox News*, 1 December 2016, <http://www.foxnews.com/politics/2016/12/01/for-americans-trumps-tariffs-on-imports-could-be-costly.html>, (accessed 3 September 2017).

<sup>61</sup> E. Maurits, 'Robert Rubin on the Future of US-China relations', *The Diplomat*, 11 January 2017, <http://thediplomat.com/2017/01/robert-rubin-on-the-future-of-us-china-relations/>, (accessed 3 September 2017).

<sup>62</sup> A.L. Friedberg, 'The Future of U.S.-China Relations: Is Conflict Inevitable?', *International Security*, vol. 30, no. 2, 2005, p. 12.

could lead to the demise of each other. Both states seemingly want to dominate the other, as is expected if their behaviour is examined from an offensive realist perspective whereby they are first and foremost concerned with short-term military security requirements, before any consideration is given to either short or longer-term economic requirements.<sup>63</sup> Economic interdependence in and of itself is therefore not necessarily enough to prevent a war.

In the meantime, China is however already leveraging its OBOR initiative to create a vast network of facilities to ensure the free flow of trade globally. With the Bank of China reportedly noting the Chinese currency (Renminbi) is to be used as the main trading currency in OBOR recipient states,<sup>64</sup> it will not only globalise China's economy, but it will eventually serve to reduce the impact of specific trade-based threats such as those currently being made by Trump. In effect, China being central to the OBOR will provide it a modicum of cushioning from future threats. However, the OBOR will also likely increase China's claims to the SCS,<sup>65</sup> while simultaneously preventing OBOR states from applying sanctions against China since they will be part of China's economic system. In a sense, it further increases China's power while limiting the coercive power other states may have over China.

From Australia's perspective, the importance of China's export market to Australia since 2009 also cannot be understated.<sup>66</sup> While the 'export risk' to Australia from China may actually be much lower than other countries due to a smaller percentage of Australian GDP being accounted for due to Chinese-based exports.<sup>67</sup> The reality is, if the US calls on

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<sup>63</sup> Brooks, *loc cit.*

<sup>64</sup> Wade, *op cit.*

<sup>65</sup> *ibid.*

<sup>66</sup> Australian Government, *Trade and Investment Note: How Dependent Are Australian Exports On China*, AusTrade Commission, Canberra, ACT, February 2015, p. 1.

<sup>67</sup> *ibid.*, p. 16.

Australia to apply any simultaneous trade tariffs against China, and Beijing then retaliated against Canberra, any trade-based sanctions would still be significantly harmful to the Australian economy. Though China claims that it has no plans about instituting specific sanctions to achieve certain political outcomes, it did however impose import restrictions on the Philippines banana industry, its most 'important fruit crop', accounting for 16 per cent of exports delivered to China, whereas on the Chinese side, restricting the banana imports had a negligible effect.<sup>68</sup> This demonstration of its willingness to coerce the Philippines to comply with China's demands further reveals offensive realism to be the appropriate framework to examine China's current behaviour. The Philippines suffered economically before it finally capitulated, while the effect to China was negligible as it waited to achieve its objectives. As China has also currently enforced economic sanctions against South Korea for the installation of the Terminal High Altitude Area Defence (THAAD) system,<sup>69</sup> there is no reason China would not undertake similar action against Australia, and when combined with any miscalculation in Australia's future SCS position, it could therefore possibly be costly.

An argument opposing this does however exist. If China was to attempt to punish Australia it would be hamstrung by the damage to not only its reputation but also to its status as a reputable client which could result in all future orders attracting a 'sovereign risk premium'.<sup>70</sup> While this argument specifically refers to Australia maintaining an alliance with the US, the same argument must translate, even in the absence of the US within the region, to any

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<sup>68</sup> M.S. Ravindran, 'China's Potential for Economic Coercion in the South China Sea Disputes: A Comparative Study of the Philippines and Vietnam', *Journal of Current Southeast Asian Affairs*, vol. 31, no. 3, 2012, p. 117.

<sup>69</sup> C. Jian, 'China justified to sanction South Korea', *Global Times*, 13 Mar 2017, <http://www.globaltimes.cn/content/1037529.shtml>, (accessed 19 June 2017).

<sup>70</sup> M. Thomson, 'We don't have to choose between the US and China', *The Strategist*, Australian Strategic Policy Institute, Barton, ACT, 2 May 2013, <https://www.aspistrategist.org.au/we-dont-have-to-choose-between-the-us-and-china/>, (accessed 19 May 2017).

response Canberra may deem necessary within the SCS, in an attempt to maintain the status quo, or even if it implemented simultaneous US-Australia tariffs.

In sum, while it is possible China could retaliate against any state that imposed sanctions against it, so long as Australia does not apply such sanctions it should remain relatively unaffected. Regardless, China's growing influence will make economic sanctions largely impossible.

## **Analysis**

China's increased desire to exert influence over world affairs will not dissipate. Its long-term economic diplomacy with all states will only increase its clout. Its ability to unilaterally influence the joint ASEAN statements by coercing Cambodia to follow its wishes<sup>71</sup> is clear evidence that China is pursuing and will continue to pursue a path that serves its interests at the expense of all other states, as is expected of a state operating from an offensive realist framework. ASEAN is an institution well geared to resolve Asian-based issues but is routinely stymied by China, yet China wants other virtually identical institutions to perform the same role.<sup>72</sup> There is only one difference; in these institutions China has much greater influence. It appears that as China is not at the centre of ASEAN, Beijing deliberately causes division when it cannot have its own way.<sup>73</sup> One option available to concerned states is to

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<sup>71</sup> Collinson & Roberts, *op cit.*, p. 38.

<sup>72</sup> Heath, *op cit.*

<sup>73</sup> K. K. Beng, 'Beijing trying to show split in Asean over China Sea', *The Strait Times*, 25 April 2016, <http://www.straitstimes.com/asia/east-asia/beijing-trying-to-show-split-in-asean-over-south-china-sea>, (accessed 6 December 2017); R.J. Heydarian, 'The ASEAN bows to China', China-United States Exchange Foundation, Sheung Wan, Hong Kong, 5 December 2017, <http://www.chinafocus.com/peace-security/the-asean-bows-to-china>, (accessed 6 December 2017).

withdraw from the CICA and other similar institutions, thereby stifling China's growing influence.

However, the concern that China will not work with ASEAN, or even agree to a legally binding Code of Conduct (COC),<sup>74</sup> instead continuing to pursue its own endeavours, is not unexpected. Why should it relinquish future gains to resolve short-term diplomatic crises? From an offensive realist perspective, China would be expected to hold out, rather than agree to a solution that would be binding and inferior to its long-term strategic goals.

President Trump's posture to dilute the alliances aids China in achieving such strategic goals. It will only increase Beijing's power allowing it to entice these other states into its own sphere of influence. Should this occur the repercussions could compound quickly. Once achieved, China will be in a position of regional dominance.<sup>75</sup> Australia would then need to either accept China's rule, or find itself very isolated. Viewed from this perspective, either ANZUS must remain the bedrock of Australia's security, or it needs to enter into security agreements with other regional states such as Japan and India.

While the Philippines threat of abandoning the US was short-lived, likely demonstrating an intention to be more independent, with minimal reliance on Washington, the reality is China renders such desire impossible. For example, even though China was achieving its ambition of usurping a US ally, instead of placing its territorial expansionist determination on hold to further develop the Sino-Philippine relationship, it instead opted to remind the region of its

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<sup>74</sup> Rapp-Hooper, *loc cit.*

<sup>75</sup> Li, *op cit.*, p. 260.

dominant role by announcing plans for the weather station on the Scarborough Shoal.<sup>76</sup> Again though, this is expected from an offensive realist perspective, as China will not willingly limit its goal of increasing its power. Additionally, China has also demonstrated little concern for the security of other states. This is further evidenced through China's enforcement of economic sanctions against South Korea in a bid to prevent installation of the THAAD missile defence system, even though it is required to protect South Korea against North Korean missile threats.<sup>77</sup> Overall, this indicates that China is in the process of inflicting its hegemonic postures in the region.

However, the likelihood of sanctions against Australia for either its SCS policy or US alliance should be considered low. Specifically within the SCS, as China has made no attempts at preventing the free navigation of vessels, any argument that Australia needs to do more than it already does<sup>78</sup> cannot be sustained. It is therefore suggested that in the absence of a change in Australia's behaviour, the threshold for any Chinese sanctions against Australia has not been met. While Chinese sanctions against the Philippine's banana industry<sup>79</sup> were likely designed to create domestic upheaval to achieve its goals, with 'Australia's overall trade to GDP ratio being relatively low, the economy's total exposure to China 'export risk'' is therefore much lower.<sup>80</sup> However, ultimately, if China did impose sanctions Australia would not be immune to economic difficulty.

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<sup>76</sup> Seidel, *op cit.*

<sup>77</sup> Jian, *op cit.*

<sup>78</sup> T. Hanson, 'Australia in the South China Sea: time to act, not react', *The Strategist*, Australia Strategic Policy Institute, Barton, Victoria, 30 May 2016, <http://www.aspistrategist.org.au/australia-south-china-sea-time-act-not-react/>, (accessed 10 July 2017).

<sup>79</sup> Ravindran, *loc cit.*

<sup>80</sup> Australian Government, *Trade and Investment Note: How Dependent Are Australia Exports on China?*, Australian Government, AusTrade Commission, Canberra, ACT, February 2015, p. 16.

The suggestion sanctions are unlikely based solely on the ‘sovereign risk premium’ China would thereafter incur<sup>81</sup> is however a weak proposition. China is Australia’s largest export market<sup>82</sup> and the inevitable relaxation of any sanctions would undoubtedly result in export’s rapidly rebounding. If prices then incurred too large a premium, Chinese buyers would simply find substitute suppliers. Australia would be best positioned to avoid any reason for Chinese sanctions entirely. However, any trade war could lead to Australia being forced to either side with the US and impose similar tariffs, or ignore the US.<sup>83</sup> Regardless, in such a scenario Australia would be making a clear choice between one and the other.

China’s use of its OBOR initiative is of such grand proportions that the level of influence it will exert within partner states will be incalculable. Although China argues it does not interfere in any state’s internal affairs,<sup>84</sup> China’s actions demonstrate to be not holding currency. Firstly, any state, which gives up ownership of vital infrastructure such as roads, rails and ports, to a foreign power, is then open to that foreign state’s influence, regardless. But more importantly, China’s use of its overseas nationals to spruik its initiatives,<sup>85</sup> while simultaneously removing traditional and long-standing ways for its citizens to make Foreign Direct Investment (FDI) into third-party states,<sup>86</sup> can be viewed as a tool to force these third-party states to accept Chinese government controlled investment initiatives if it wishes to benefit economically from foreign wealth.<sup>87</sup> Such endeavours can be construed as nothing more than Beijing’s attempt to acquire as much power and influence as possible which

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<sup>81</sup> Thomson, *op cit.*

<sup>82</sup> Australian Government, *Australia’s Trade in Goods and Services (a)(b) By Top 15 Partners*, Department of Foreign Affairs and Trade, Statistics Section, Office of Economic Analysis, Investment and Economic Division, Canberra, ACT, 2017.

<sup>83</sup> Australian Government, *Rising protectionism: challenges, threats and opportunities for Australia*, Productivity Commission Research Paper, Australian Government, Productivity Commission, Canberra, ACT, July 2017, p. 69.

<sup>84</sup> M. Powles, ‘Chapter 2: The Regional Security Environment and Architecture in the Pacific Islands Region’, in R. Azizian & C. Cramer, eds., *Regionalism, Security & Cooperation in Oceania*, The Daniel K. Inouye Asia-Pacific Center for Security Studies, Honolulu, 2015, p. 45.

<sup>85</sup> Wade, *op cit.*

<sup>86</sup> Scutt, *op cit.*

<sup>87</sup> *ibid.*

further supports the employment of the offensive realist paradigm within this thesis. While China is able to reward states for cooperation, it is equally able to ‘signal that defying its ascendance has a price’. In this case, offensive realism demonstrates China’s use of both a carrot and stick strategy to achieve its longer-term objectives.<sup>88</sup>

Additionally, if China sought to retain the current rules-based system, why does it require such large military increases within the SCS?<sup>89</sup> The offensive realist view would posit that its increasing military provides it the ability to ‘frustrate or complicate’ any US intervention within any conflict in the region ensuring that China is better able to prevail against the other regional states.<sup>90</sup> China claims that no other SCS littoral state comes close to matching its current military power.<sup>91</sup> China has made similar territorial claims as other states, which can be discharged quite readily within the ambit of current international law (UNCLOS), yet it refuses to do so, likely because Beijing is unable to be certain of the results.<sup>92</sup> The only reasonable belief for China’s reticence is that it does not intend to resolve the disputes within the UNCLOS framework, signifying its intent to not be constrained by the current system indefinitely.

## Conclusion

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<sup>88</sup> Li, *op cit.*, pp. 243-244.

<sup>89</sup> L. Yves-Heng, ‘A Tale of Two Realisms in Chinese Foreign Policy’, *China: An International Journal*, vol. 9, no. 2, 2011, pp. 304-305.

<sup>90</sup> Li, *op cit.*, p. 248.

<sup>91</sup> ‘Internal Chinese Navy magazine says country has security military dominance in South China Sea’, *The Japan Times*, 20 March 2017, <https://www.japantimes.co.jp/news/2017/03/20/asia-pacific/internal-chinese-navy-magazine-says-country-secured-military-dominance-south-china-sea/#.WhtzydKWa70>, (accessed 10 September 2017); S. Zhao, ‘China and the South China Sea Arbitration: Geopolitics Versus International Law’, *Journal of Contemporary China*, 2017, p. 5.

<sup>92</sup> Zhao, *op cit.*, p. 7.



While the alliance system has well served the wider interests of the global community, China's attempt at unravelling these alliances and creating new bilateral relations, via its institution-building programs, with US allies, could potentially undermine the system. Should China succeed, it will be in a position to implement new regional security architecture with China at the centre. If this materialises, Australia will become subordinate to a new system that may see its traditional role eradicated, and if the US abandons the region, or is denied access to its current forward-posts in alliance-partner states, Australia's future security could be imperilled if its security guarantor cannot easily come to Canberra's aid. While it currently appears that the alliance system is actually being strengthened, therefore suggesting there are no immediate military-threat concerns to Australia's security, the time when the US was able to maintain military supremacy over China and determine the outcome of regional disputes is fading.

While a trade war between the US and China would have global ramifications, based on an offensive realist view the interconnectedness of the global economy is not enough to prevent a trade war from occurring. While China is in a position to economically punish Australia for its US support, or even its SCS activities, so long as the status quo is maintained and Australia does not move against China with sanctions it is unlikely Australia will suffer any Chinese-imposed sanctions.

Of all the immediate or future threats to Australia's security, the most significant concern is the indication that China wants to supplement the current global rules-based order with its own, particularly within the SCS. While China currently relies on shipping in the SCS, should it continue to act unilaterally, and with impunity, ignoring current international rules

such as UNCLOS, Australia will be unable to prevent China's regional dominance without the support of the US and other regional states should it wish to implement restrictions. Therefore, any US withdrawal would leave the region open to destabilising power struggles. As such, the next chapter examines Australia's options in its relationship with China.

## Chapter 5

### Australia's Policy Responses: A Pathway Forward

After discussing the policy postures either initiated, or continued, by China regarding the US-led alliance system, the South China Sea (SCS) and trade relations, and revealing their implications for Australia in the previous chapter, this chapter attempts to assess and analyse the policy postures initiated by Australia in response to President Donald Trump's declarations, while providing options for Canberra.

This chapter is developed in four sections. The first section examines the ANZUS alliance and options for Australia's future role in regional security. The second section analyses Australia's approach to the SCS, with a particular focus on its Freedom of Navigation Operations (FONOPs). The third section explores Trump's trade threats and the likely ensuing consequences to the Australian economy, and the final section attempts an analysis of the description provided in the preceding sections.

#### Australia, New Zealand and the US (ANZUS) Alliance

The *2016 Defence White Paper (DWP)* underlines that Australia as a strategic and alliance partner is dependent on the US military machine.<sup>1</sup> As the ANZUS alliance allows Australia a larger degree of regional influence than it may otherwise have achieved,<sup>2</sup> it is therefore not

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<sup>1</sup> Australian Government, *2016 Defence White Paper*, Department of Defence, Commonwealth of Australia, Canberra, ACT, 2016, p. 41.

<sup>2</sup> M. Kelton, *More than an Ally? Contemporary Australia-US Relations*, Ashgate, 2008, p. 187.

surprising that following President Trump's election, his comments about effectively abandoning the alliance system was addressed by Australia's Foreign Minister Julie Bishop. Bishop not only appealed to the Trump administration to continue its active presence in the region, but reiterated Australia's continuing commitment to the US.<sup>3</sup>

Bishop's comments were further reinforced by Prime Minister Malcolm Turnbull in his address at the 2017 Shangri-La Dialogue in Singapore. His speech did however acknowledge the benefits provided by both the US and China. He emphasised on the need for the current rules-based order, with larger states giving due consideration to smaller states,<sup>4</sup> which was a clear reference to China. He also acknowledged Trump's concerns about the alliance system by explaining that Australia is already making a significant contribution and will contribute even more to the system in the years ahead.<sup>5</sup> This demonstrates Australia's resolve to the US in wanting to protect the alliance, by showing it is not taking the US for granted, or attempting to duplicitously free ride on the back of the US military contribution. However, Turnbull also acknowledged and praised the Chinese-led Regional Comprehensive Economic Partnership (RCEP) during this same address. This could be seen to demonstrate that Australia is balancing its position. In the first instance, it is relying on, and supporting a US security presence, while in the second instance, it is simultaneously supporting Chinese initiatives, which demonstrate a desire to benefit from China's economic offering. However, an alternate view, which would therefore undermine any notions of 'balancing', based on the *DWP*, and which was reiterated by Turnbull in a speech delivered at the Lowy Institute for

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<sup>3</sup> K. Murphy, 'Julie Bishop asks Trump administration to increase engagement in Indo-Pacific', *The Guardian*, 14 March 2017, <https://www.theguardian.com/australia-news/2017/mar/14/julie-bishop-asks-trump-administration-to-increase-engagement-in-indo-pacific>, (accessed 27 November 2017).

<sup>4</sup> M. Turnbull, 'Keynote address at the 16<sup>th</sup> IISS Asian Security Summit, Shangri-La Dialogue', *Malcolm Turnbull*, [website], 3 June 2017, <https://malcolmtturnbull.com.au/media/keynote-address-at-the-16th-iiss-asia-security-summit-shangri-la-dialogue>, (accessed 13 June 2017).

<sup>5</sup> *ibid.*

International Policy, is that Australia will embrace an ‘emerging multipolar reality’.<sup>6</sup> This suggests that Canberra is cognisant of Washington’s embrace of shared power within the Asia-Pacific with China and other regional states.

However, experts such as Andrew Davies, and even former Prime Minister Paul Keating suggest that Australia should reassess its ANZUS alliance.<sup>7</sup> Turnbull, during his Shangri-La Dialogue speech, also suggested that Australia can no longer rely only on ‘great powers to safeguard its interests’, and that it was Australia’s responsibility for its ‘own security and prosperity’ which could be achieved in collaboration with ‘trusted partners and friends’.<sup>8</sup> Turnbull is not only acknowledging that the US will unlikely continue to be the region’s sole security guarantor indefinitely, but by emphasising that the regional states should do more to sure-up their own security, is therefore assuaging Trump’s concern about alliance partners not pulling their weight.

This then aligns well with the US encouragement that its allies form supplementary partnerships amongst themselves, which act to not only complement each individual state’s alliance with the US, but also enhances to increase ‘strategic collaboration’ between regional states.<sup>9</sup> Offensive realism argues ‘alliances are attractive because the burden of handling an

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<sup>6</sup> M. Turnbull, ‘The 2016 Lowy Lecture’, Speech to the Lowy Institute for International Policy, Sydney, NSW, 23 March 2016, p. 10.

<sup>7</sup> A. Davies, The industry cart and the strategic horse, *The Strategist*, Australian Strategic Policy Institute, Barton, ACT, 19 January 2017, <https://www.aspistrategist.org.au/industry-cart-strategic-horse/>, (accessed 28 September 2017); L. Sales & M. Wearing, ‘Paul Keating says Australia should ‘cut the tag’ with American foreign policy’, *ABC News*, 11 November 2016, <http://www.abc.net.au/news/2016-11-10/keating-on-american-foreign-policy-after-trump-victory/8015028>, (accessed 28 September 2017).

<sup>8</sup> Turnbull, 2017, *op cit*.

<sup>9</sup> W.T. Tow & S. Limaye, ‘What’s China Got to Do With It? U.S. Alliances, Partnerships in the Asia-Pacific’, *Asian Politics & Policy*, vol. 8, no. 1, 2016, p. 13.

aggressor is shared'.<sup>10</sup> To this end, a focus on improving the linkages between the military capabilities of the states that are part of the Five Powers Defence Agreement (Australia, New Zealand, Britain, Malaysia and Singapore) was agreed at the Shangri-La Dialogue.<sup>11</sup> However, Australia's recent attempt to form a closer partnership with India by requesting to participate in the Malabar naval military exercises alongside Japan and the US was ultimately turned down by India due to China's warnings not to 'expand the drills'.<sup>12</sup> This demonstrates that India, too, is wary of antagonising Beijing.

It is however possible that the formation of more regional partnerships will strengthen the resolve of regional states, such as India, who are concerned about upsetting China. Dan Halvorson argues history suggests Australia will only be able to successfully engage with Asia in the event it is 'aligned with larger regional trends and forces', of which China's more assertive postures generate ideal conditions for Australia's deeper engagement in the region.<sup>13</sup> Therefore, in view of China's sensitivities to any form of substantial backlash against it, as well as being concerned about regional states banding together to balance its options, Australia should consider convening new security dialogues with likeminded states vis-à-vis China.<sup>14</sup>

The possibility of increasing security partnerships and overall relations in a bid to reinforce confidence within the region is well supported by experts like Ross Babbage, Michael

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<sup>10</sup> P. Toft, 'John J. Mearsheimer: an offensive realist between geopolitics and power', *Journal of International Relations and Development*, vol. 8, no. 4, 2005, p. 385.

<sup>11</sup> Reuters, 'Unsure of U.S., Asia builds new alliances to counter China', *Reuters*, 5 June 2017, <http://in.reuters.com/article/asia-security-allies/unsure-of-u-s-asia-builds-new-alliances-to-counter-china-idINKBN18V0M9>, (accessed 3 September 2017).

<sup>12</sup> *ibid.*

<sup>13</sup> D. Halvorson, 'From Cold War Solidarity to Transactional Engagement: Reinterpreting Australia Relations with East Asia, 1950-1974', *Journal of Cold War Studies*, vol. 18, no. 2, p. 159.

<sup>14</sup> R. Medcalf, 'Rules, Balance, and Lifelines: An Australian Perspective on the South China Sea', *Asian Policy*, no. 21, 2016, p. 12.

Fullilove and Ian Hall.<sup>15</sup> This will however likely heighten any security dilemma China already perceives exists. Presently, Australia, Japan and India maintain a trilateral security dialogue, which is designed to not only bolster US power within the region but also to demonstrate their determination to support the current rules-based order.<sup>16</sup> An example of China demonstrating its sensitivities was in the abandoned 2007-2008 quadrilateral security dialogue, which saw the US added to the previously mentioned states,<sup>17</sup> and from which Australia formally withdrew in 2008 due to China's clear displeasure.<sup>18</sup> From an offensive realist perspective China coerced Australia into diluting not just its own security position, but also that of the other quadrilateral partners, simply to improve its own. India is therefore not the only regional state to be concerned about China's recalcitrant actions. However, in the event Canberra can establish new partnerships, it must not withdraw from them due to China's displeasure. When it comes to Australia's policy on China, 'consistency' must be the priority.<sup>19</sup> Taking a position and then backtracking would likewise do nothing to instill confidence in the region of Australia's stamina in the face of difficult options.

In sum, Australia is reliant and will be in the foreseeable future on both the continued operation of the ANZUS alliance, as well its bilateral relationship with China, however, there

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<sup>15</sup> R. Babbage, 'The case for a new Australian grand strategy', *The Strategist*, Australian Strategic Policy Institute, Barton, ACT, 2015, <http://www.aspistrategist.org.au/the-case-for-a-new-australian-grand-strategy/>, (accessed 7 November 2016); M. Fullilove, 'Why ANZUS trumps Trump', *The Interpreter*, Lowy Institute For International Policy, Sydney, NSW, 16 November 2016, <https://www.lowyinstitute.org/the-interpreter/why-anzus-trumps-trump>, (accessed 2 July 2017).

<sup>16</sup> D. Lang, *The not-quite-quadrilateral: Australia, Japan and India*, Strategic Insights, Australian Strategic Policy Institute, Barton, ACT, no. 92, July 2015, p. 9; I. Hall, 'Advance Australia Where? A Strategy for the end of the American Century', *PolicyInnoHub*, Griffith University South Bank Campus, 2 February 2017, <https://medium.com/the-machinery-of-government/advance-australia-where-2989fa962cab>, (accessed 25 September 2017).

<sup>17</sup> I. Hall, 'The Australia-India-Japan trilateral: converging interests... and converging perceptions?', *The Strategist*, Australian Strategic Policy Institute, Barton, ACT, 17 March 2017, <https://www.aspistrategist.org.au/australia%C2%AD%C2%AD-india-japan-trilateral-converging-interests-converging-perceptions/>, (accessed 17 July 2017); Lang, *op cit.*, pp. 1-2.

<sup>18</sup> G. Sheridan, 'Region notices bias for Beijing', *The Australian*, 3 May 2008, <http://www.theaustralian.com.au/archive/news/region-notices-bias-for-beijing>, (accessed 24 July 2017).

<sup>19</sup> R. Huiskens, 'How to think about Australia's relationship with China', *Australian Journal of International Affairs*, vol. 71, no. 6, 2017, p. 566.

is scope for Canberra to expand and strengthen its regional security partnerships to maintain a status quo.

## South China Sea Posture

Australia's position on the continuance of the ANZUS alliance and the alliance system in general directly correlates to its SCS stance. The *DWP* articulates Canberra's fundamental belief in the preservation of the current rules-based order (which includes ANZUS), as well as its view of the peaceful resolution of the South China Sea Dispute (SCSD).<sup>20</sup> As such, Australia's policy statements are based on the peaceful resolution of the disputes. For example, in November and December 2015, Australia and Japan released joint statements extolling their 'strong opposition to any coercive or unilateral actions' in the SCS,<sup>21</sup> which was reiterated in February 2016, in the joint US-ASEAN Special Leaders' Summit declaration.<sup>22</sup> A similarly worded statement was again released after the April 2017 Japan-Australia 2+2 Foreign and Defence Ministerial Consultations,<sup>23</sup> followed four months later by the US, Australia and Japan in a joint statement at ASEAN.<sup>24</sup> In this statement it was also urged of SCS littoral states to refrain from any 'land reclamation' or 'militarisation of

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<sup>20</sup> Australian Government, *op cit.*, pp. 57-58.

<sup>21</sup> M. Turnbull, 'Joint Statement – Next steps of the Special Strategic Partnership: Asia, Pacific and Beyond', *Malcolm Turnbull*, [website], 18 December 2015, <https://www.malcolmturnbull.com.au/media/joint-statement-next-steps-of-the-special-strategic-partnership-asia-pacific-and-beyond>, (accessed 24 June 2017).

<sup>22</sup> Malaysian Government, 'Joint Statement of the U.S.-ASEAN Special Leaders' Summit: Sunnyslands Declaration', *Miti Weekly Bulletin*, vol. 375, 22 February 2016, Kuala Lumpur.

<sup>23</sup> J. Bishop & M. Payne, *Joint statement – Seventh Japan-Australia 2+2 Foreign and Defence Ministerial Consultations*, Australian Government, Canberra, ACT, 20 April 2017, [http://foreignminister.gov.au/releases/Pages/2017/jb\\_mr\\_170420.aspx?w=tb1CaGpkPX%2FIS0K%2Bg9ZKEg%3D%3D](http://foreignminister.gov.au/releases/Pages/2017/jb_mr_170420.aspx?w=tb1CaGpkPX%2FIS0K%2Bg9ZKEg%3D%3D), (accessed 24 July 2017).

<sup>24</sup> U.S. Department of State, *Australia-Japan-United States Trilateral Strategic Dialogue Ministerial Joint Statement* [media release], Department of State, Office of the Spokesperson, Washington, D.C., 6 August 2017, <https://www.state.gov/r/pa/prs/ps/2017/08/273216.htm>, (accessed 6 September 2017).



disputed features’, with calls for both China and the Philippines to abide by the Arbitral Tribunal’s ‘final and legally binding’ decision.<sup>25</sup>

As against concerns in some quarters, Australia has not deviated from its position at all. For example, US Senator John McCain, during his visit to Australia in May 2017,<sup>26</sup> and then former CIA Director General David Petraeus, addressing the Liberal Federal Council the following month, both separately suggested that Australia and the US should conduct joint FONOPs in the SCS.<sup>27</sup> Australia’s Foreign Minister Julie Bishop’s response to this was to reiterate Canberra’s position – that Australia would continue to conduct its usual SCS operations<sup>28</sup> – demonstrating to China that Australia is not merely a US junior alliance partner but also understands how to manage both relationships. Interestingly, the findings of the 2017 Lowy Institute Poll reveals 60 per cent of respondents supported Australia’s FONOP exercises, with only 19 per cent in opposition.<sup>29</sup>

The evidence that Australia knows how to manage its relationship with China, is firstly found in Bonnie Glaser’s suggestion that the international community has not done enough to deter China’s SCS activities and that the US and its allies need to ‘impose greater costs on China’, while simultaneously accepting the increased risk that is associated with this.<sup>30</sup> Ultimately, Australia has not bowed to such suggestions. While it is prudent that Australia views the

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<sup>25</sup> *ibid.*

<sup>26</sup> P. Riordan, ‘John McCain’s China Sea call to US allies’, *The Australian*, 30 May 2017, <http://www.theaustralian.com.au/national-affairs/defence/john-mccains-china-sea-call-to-us-allies/news-story/3e0a051154ab7c7b31fd6e57a2169981>, (accessed 3 July 2017).

<sup>27</sup> Sky News, ‘“Don’t follow the Tweets”: ex-CIA director’, *Sky News*, 23 June 2017, <http://www.skynews.com.au/news/politics/federal/2017/06/23/-don-t-follow-the-tweets---ex-cia-director.html>, (accessed 27 June 2017).

<sup>28</sup> ‘Seven News’, *Seven News* [TV program], Seven Network, 24 June 2017.

<sup>29</sup> A. Oliver, *Lowy Institute Poll 2017: Understanding Australian Attitudes to the World*, Lowy Institute for International Policy, Sydney, NSW, June 2017, p. 10.

<sup>30</sup> B. Glaser, ‘High Stakes for Australia in Limiting China’s South China Sea Incursions’, *Ausmarine*, vol. 37, no. 9, 2015, p. 18.

dispute with longer-term thinking, particularly evaluating how Australian actions today could undermine, or harm its future security, the second demonstration is contained in the *DWP*. Australia signalled that it would work closely with its partners, including the US, to ensure the current rules-based order is maintained.<sup>31</sup> However the reality is, Australia has already deviated from this in rejecting the suggestions to conduct joint FONOPs.

There are scholars like Tom Hanson, who advocate quite strongly that Australia should consider more independent manoeuvres against China regarding the SCS to uphold a rules-based order.<sup>32</sup> Of difficulty though, even if Australia pursues independent actions in the SCS, such a policy will have limited impact to deter China's assertive postures within the SCS. This is because, from China's perspective, it is not about territory but also about power, control and challenging the existing rules-based order,<sup>33</sup> which supports the offensive realist framework of this thesis. Therefore, a possible option for Australia can be to do no more than it already does, particularly when considering the issue from an offensive realist perspective, with the understanding that currently other regional states are not willing to allow China to become the regional hegemon and sacrifice their own security positions, so regardless, the pressure on China will not abate. However, Australia should not elect to do less than it already does within the SCS. Should it adopt a neutral attitude towards the SCSD, it will only undermine its credibility and commitment to the region, exposing that it is not part of the Asia-Pacific region if it wishes to cherry-pick the regional issues that it becomes involved.<sup>34</sup>

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<sup>31</sup> Australian Government, *op cit.*, p. 45.

<sup>32</sup> T. Hanson, 'Australia in the South China Sea: time to act, not react', *The Strategist*, Australia Strategic Policy Institute, Barton, Victoria, 30 May 2016, <http://www.aspistrategist.org.au/australia-south-china-sea-time-act-not-react/>, (accessed 10 July 2017).

<sup>33</sup> A. Shearer, 'Australia's Strategy in the Asia-Pacific', *Georgetown Journal of Asian Affairs*, 2016, p. 140.

<sup>34</sup> M. Wesley, 'Australia's interests in the South China Sea', in eds. L. Buszynski & C. Roberts, *The South China Sea and Australia's Regional Security Environment*, National Security College Occasional Paper, The Australian National University, Acton, ACT, no. 5, September 2013, p. 48.

Therefore, as an actor within the SCS, Australia already challenges China's claims by exercising its international rights in the region, which it also intends to continue.<sup>35</sup> It does not publicise these missions, however in 2015 its mission became public when it was reported in a radio broadcast. That included communication between a Chinese naval vessel and a Royal Australian Air Force (RAAF) aircraft, intercepted by a British journalist that the Chinese naval forces challenged the Australian aircraft.<sup>36</sup> The pilot's response was that the flight complied with the international law.<sup>37</sup> It then emerged that 'nearly all' of Australia's flyovers were challenged.<sup>38</sup> Most telling was both China's and Australia's silence on this issue until it was reported, and only then did China make negative remarks publicly. Prior to this, it would appear that China made no representations to Australia, at any level, about these flyovers.

Conduct of FONOP activities are debated in Australia, these are advocated and encouraged by some,<sup>39</sup> while denounced and discouraged by others.<sup>40</sup> However, the simple reality is, FONOPs have not proved effective to achieve any change in China's behaviour. Australia's 30 year Operation Gateway and the US SCS FONOP activities have achieved no compelling results. Australia is a 'status quo power' that 'seeks to manage adverse change' in its

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<sup>35</sup> Australian Government, *op cit.*, p. 69.

<sup>36</sup> B. Nicholson, 'RAAF's China Sea Flight Warning', *The Australian*, 16 December 2015, <http://www.theaustralian.com.au/national-affairs/defence/raafs-china-sea-flight-warning/news-story/8be97c48b0849ef509536c5f8bdbc81a>, (accessed 24 July 2017).

<sup>37</sup> *ibid.*

<sup>38</sup> S. Tiezzi, 'Nearly All' Australian Patrols in South China Sea Are Challenged by China', *The Diplomat*, 5 February 2016, <http://thediplomat.com/2016/02/nearly-all-australian-patrols-in-the-south-china-sea-are-challenged-by-china/>, (accessed 16 January 2017).

<sup>39</sup> P. Jennings, 'South China Sea: options and risks', *The Strategist*, Australian Strategic Policy Institute, Barton, ACT, 22 July 2015, <https://www.aspistrategist.org.au/south-china-sea-options-and-risks/>, (accessed 24 July 2017); B.S. Glaser, *Testimony before The U.S.-China Economic and Security Review Commission Hearing on China's Relations with Southeast Asia*, U.S. Government, Washington, D.C., 15 May 2015, p. 12; P.M. Cronin, *Power and Order in the South China Sea: A Strategic Framework for U.S. Policy*, Centre for a New American Security, Asia Pacific Security Program, Washington, D.C., November 2016, p. 9; K. Akimoto, 'A new dimension to Australia-Japan maritime security cooperation', in ed. D. Brewster, *Indo-Pacific Maritime Security: Challenges and Cooperation*, National Security College, The Australian National University, Acton, ACT, July 2016, p. 18.

<sup>40</sup> R. Madaus, 'Why Australia Should Not Conduct FONOPS in the South China Sea', *The Regionalist*, vol. 1, ed. 1, pt. 1, 2016, p. 6; S. Bateman, *Australia's flawed position on the South China Sea*, East Asia Forum, Crawford School of Public Policy, The Australian National University, Acton, ACT, 10 March 2016, p. 2; T. Switzer, 'Australia in the South China Sea: Balancing interests as China flexes muscles', *Ausmarine*, vol. 38, no. 8, 2016, p. 19.

environment while being ‘highly risk-averse’.<sup>41</sup> However, FONOP activities in general, but more specifically any bolstering in Australia’s Operation Gateway, cannot be considered risk-averse. While it may seem counter-productive to advocate deliberate inflammatory actions that are designed to curb China’s SCS posture, from an offensive realist perspective, such US sabre-rattling is designed to maintain the pressure on China; whether Australia should follow suit is less clear.

While Australia should publicly support US FONOPs, it can however play an additional role. As Australia already acknowledges the centrality of the United Nations and its Charter to the rules-based order,<sup>42</sup> perhaps Australia and its allies could consider applying the UN Charter to the crisis, specifically Chapter VI: Article 33, part 1, which mandates the peaceful resolution of all state-based disputes.<sup>43</sup> By making not just China, but all interested states aware of their contravention of this Charter, it may have a greater effect than UNCLOS alone. From China’s perspective, being one of only five permanent UN Security Council members, it is feasible it would have a more difficult time, both domestically and internationally by not upholding its obligations. Beijing’s recent call for states to abide by the UN Charter<sup>44</sup> would make it even more difficult to ignore any invocation of the Charter by Australia. While offensive realism suggests such arguments will not sway China to alter its postures, the idea does however allow China to be shown to be the actor that is unwilling to follow any rules not of its own making, thereby potentially increasing the international condemnation towards it.

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<sup>41</sup> M. Griffiths & M. Wesley, ‘Taking Asia Seriously’, *Australian Journal of Political Science*, vol. 45, no. 1, 2010, p. 20.

<sup>42</sup> Australian Government, *Defence White Paper 2013*, Department of Defence, Commonwealth of Australia, Canberra, ACT, 2013, p. 26; Australian Government 2016, *op cit.*, p. 45.

<sup>43</sup> United Nations, ‘UN Charter (full text): Chapter VI: Pacific Settlement of Disputes: Article 33’, *United Nations*, NY, <http://www.un.org/en/sections/un-charter/un-charter-full-text/>, (accessed 24 July 2017).

<sup>44</sup> Ministry of Foreign Affairs of Peoples Republic of China, ‘China’s Policies on Asia-Pacific Security Cooperation’, *Chinese Government*, Beijing, 11 January 2017, [http://www.fmprc.gov.cn/mfa\\_eng/zxxx\\_662805/t1429771.shtml](http://www.fmprc.gov.cn/mfa_eng/zxxx_662805/t1429771.shtml), (accessed 9 September 2017).

However, it is also no stretch to suggest that FONOPs disregard the very same UN Charter that mandates the peaceful resolution of the disputes. While Peter Jennings suggests that if states do not conduct FONOPs today the ‘principle of use it or lose it’ will apply,<sup>45</sup> this is perhaps a little too black or white. While his view is credible, an alternate view is desisting with FONOPs in favour of formal diplomatic protests does not automatically convey ‘legal acquiescence’.<sup>46</sup> Australia’s public statements opposing China’s SCS activities could therefore be considered as a formal protest and although they are being made in the public domain, which also upsets Beijing, Australia is however maintaining its position without the escalatory component. Again, it is doing no more than it has always done, and its current response aligns with the mooted option that Australia should be doing no less than it already does within the SCS.

In sum, while Australia strongly opposes China’s unilateral SCS actions and is making that known, it is however aware of its bilateral relationship and is demonstrating clear efforts to ensure Beijing is aware of its position, particularly through restricting any escalation of its FONOP program.

## **Trade**

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<sup>45</sup> Jennings, *op cit*.

<sup>46</sup> M.J. Valencia, ‘US FONOPs in the South China Sea: Intent, Effectiveness, and Necessity’, *The Diplomat*, 11 July 2017, <http://thediplomat.com/2017/07/us-fonops-in-the-south-china-sea-intent-effectiveness-and-necessity>, (accessed 25 July 2017).

Trade relations are yet another pillar that underpins the current rules-based order alongside the alliance system and retaining the status quo within the SCS. Undermining this was President Trump's announcement to the withdrawal from the Trans-Pacific Partnership (TPP) immediately after entering office. However, strangely, Prime Minister Turnbull reportedly suggested the TPP could be salvaged with replacement of the US with China.<sup>47</sup> To materialise this, a Chinese representative was invited to the first high-level talks concerning the TPP since Trump's announcement, at a summit in Chile in early 2017, to determine the possibility of continuation of the TPP without US involvement.<sup>48</sup> However, how this could be possible is difficult to comprehend, particularly when considering the purpose of creation of the TPP. It was to serve a dual purpose, with both economic and strategic implications, with US allies and partners using it to hedge against China's lower trade standards, while reaffirming US economic leadership.<sup>49</sup> From an offensive realist perspective, this would therefore boost the security and economic position of the US and its allies, at China's expense. However, in the current climate, Crispin Rovere recommends that Australia should not attempt to resurrect the TPP, as to do so would go contrary to its interests, primarily due to the existing free-trade agreement's (FTA) Australia maintains with most of the countries that are party to the TPP. This implies that any economic advantage to Australia from the TPP would have been 'marginal'.<sup>50</sup>

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<sup>47</sup> C. Chang, 'Donald Trump's TPP move shows it's time for Australia to 'wake up'', *News Limited*, 25 January 2017, <http://www.news.com.au/finance/economy/australian-economy/donald-trumps-tpp-move-shows-its-time-for-australia-to-wake-up/news-story/36092916f4fc7ede09290fe4794c7f5d>, (accessed 7 September 2017).

<sup>48</sup> J. Cogan, 'Australian government flags "foreign policy reset" in response to Trump', *World Socialist Web Site*, 4 March 2017, <https://www.wsws.org/en/articles/2017/03/04/fore-m04.html?view=print>, (accessed 7 September 2017); A. Panda, 'TPP Signatories to Meet in Chile to Explore the Future of the Agreement', *The Diplomat*, 13 March 2017, <https://thediplomat.com/2017/03/tpp-signatories-to-meet-in-chile-to-explore-the-future-of-the-agreement>, (accessed 9 October 2017).

<sup>49</sup> I.F. Fergusson, M.A. McMinimy & B.R. Williams, 'The Trans-Pacific Partnership (TPP): In Brief', *Congressional Research Service*, Washington, D.C., 9 February 2016, p. 1.

<sup>50</sup> C. Rovere, 'How Australian officials should deal with a Trump administration', *The Interpreter*, Lowy Institute for International Policy, Sydney, NSW 21 November 2016, <https://www.lowyinstitute.org/the-interpreter/how-australian-officials-should-deal-trump-administration>, (accessed 22 January 2017).

Of greatest concern for Australia should be any US-China trade war. The reality is, Australia's middle-sized economy means it does not have the clout to influence the trade policy of larger-sized economies<sup>51</sup> such as the US and China. As such, Canberra needs to focus on what it can influence, particularly policies that are able to ensure greater resilience when international economic turbulence occurs.<sup>52</sup> In this regard, Prime Minister Turnbull specifically commented at last year's Pacific Island Forum meeting that Australia wanted to deepen engagement across the Pacific to increase regional 'resilience and stability'.<sup>53</sup> This is being achieved by initiatives such as the PACER Plus (Pacific Agreement on Closer Economic Relations, plus Australia and New Zealand) trade agreement between Australia and other Pacific economies, with negotiations being finalised in Brisbane this year.<sup>54</sup> While not only deepening regional engagement, Australia would simultaneously be demonstrating its commitment to the region through its willingness to lead.

If a trade war takes place, it is likely that Australia would face pressure to duplicate any trade tariffs or restrictions to foreign investment,<sup>55</sup> which would once again be analogous to Australia choosing to support the US or China. However, as this would negatively affect Australia's economy, the Australia Productivity Commission determined that resisting such pressure could be achieved if Australia joins a coalition of states, which it achieved by joining RCEP.<sup>56</sup> Such a coalition would need to agree to either keep tariffs at their current

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<sup>51</sup> A. Oxley, 'Staying competitive in a global economy', *The Interpreter*, Lowy Institute for International Policy, Sydney, NSW, 14 September 2017, <https://www.lowyinstitute.org/the-interpreter/whither-australian-trade-policy>, (accessed 24 September 2017).

<sup>52</sup> B. Sterland, 'Managing economic risk in Asia: A strategy for Australia', Lowy Institute for International Policy, Analysis, Sydney, NSW, September 2017, p. 11.

<sup>53</sup> M. Turnbull, *Remarks at Pacific Island Forum*, Australian Government, Canberra, ACT, 9 September 2016, <https://www.pm.gov.au/media/2016-09-09/remarks-pacific-island-forum>, (accessed 9 October 2017).

<sup>54</sup> M. Turnbull, *48<sup>th</sup> Pacific Islands Forum, Samoa*, Australian Government, Canberra, ACT, 8 September 2017, <https://www.pm.gov.au/media/2017-09-08/48th-pacific-islands-forum-samoa>, (accessed 9 October 2017).

<sup>55</sup> Australian Government, *Rising protectionism: challenges, threats and opportunities for Australia*, Productivity Commission Research Paper, Australian Government, Productivity Commission, Canberra, ACT, July 2017, p. 69.

<sup>56</sup> *ibid.*

levels, or even reduce trade barriers further. While Australia's living standards would still experience a fall, retaining current tariff levels, or even achieving a further reduction would then ensure the 'negative effect of higher protection elsewhere on Australia's income would be largely offset and the drop in living standards' significantly smaller.<sup>57</sup> Australia's leadership in this effort and its demonstration of a deepening engagement within its near neighbourhood would then, potentially, encourage other states to not alter current trade relations and therefore needlessly undermine their economies. This would then also support the suggestion elsewhere in this thesis that Australia should join a coalition of likeminded states to protect against any attempted Chinese coercion. Such a coalition could then serve dual purpose – both security and trade protection. From an offensive realist perspective, if Australia is able to help demonstrate that the security of these states is not in jeopardy and is in fact increased by the formation of a mutually beneficial coalition, not one in which 'band wagoning' occurs,<sup>58</sup> each state is then more able to focus on its economy.

To this end, Australia should therefore continue to be actively involved in RCEP negotiations. Although the RCEP does not have the same level of trade reform and regulation built-in, there is a need to ensure the RCEP remains an open platform that additional states can join in the future.<sup>59</sup> This is something Australia should advocate for, if for no other reason than to provide an opening for entry to the US should it chose, rather than indefinitely locking it out. Further, strengthening bilateral relations with China by contributing further to the Asian Infrastructure Investment Bank (AIIB), and supporting its initiatives at global forums such as the G20, would demonstrate Canberra's commitment to Beijing.<sup>60</sup> However,

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<sup>57</sup> *ibid.*, pp. 79-80.

<sup>58</sup> J.J. Mearsheimer, *The Tragedy of Great Power Politics*, W.W. Norton & Co, NY, 2001, pp. 162-163.

<sup>59</sup> J. Wilson, *Australia's Post-Trump Trade Agenda: Making Sense of Limited Options*, The United States Studies Centre, The University of Sydney, NSW, February 2017, p. 3.

<sup>60</sup> *ibid.*, p. 4.



Australia should motivate other RCEP member states to incorporate more of the regulations from the TPP into the RCEP. Australia would then play an instrumental role in delivering to the global trade economy one fundamental component of the TPP. As the TPP was to ensure China's domestic market was much more open to competition,<sup>61</sup> increased regulation being added to the RCEP would therefore largely benefit Australian businesses by ensuring a greater level of access on a more even playing field.

Looking at a possible trade war from a different perspective, any threat to China poses threats to the entire region, including Australia, due to the economic interconnectedness of all regional states.<sup>62</sup> From a liberal perspective this interconnectedness is seen as a mechanism to largely prevent conflict between states,<sup>63</sup> however, from an offensive realist view, this interconnectedness will not prevent China from causing economic chaos to the entire region if it is felt it will improve China's security position.<sup>64</sup> As this is a cause for concern, Australia needs to attempt to capitalise in the event of a trade war and avoid any consequences from China. For example, the US and China will need to maintain their corporate supply chains and if they cannot trade with one another, the major corporations in both states will very quickly mobilise to explore opportunities elsewhere, and Australia is well placed to provide an alternate supply.<sup>65</sup>

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<sup>61</sup> Cogan, *op cit*.

<sup>62</sup> Sterland, *op cit.*, p. 8.

<sup>63</sup> A. L. Friedberg, 'The Future of U.S.-China Relations: Is Conflict Inevitable?', *International Security*, vol. 30, no. 2, 2005, p. 12.

<sup>64</sup> S.G. Brooks, 'Dueling Realisms', *International Organization*, vol. 51, no. 3, 1997, pp. 450-453; J.J. Mearsheimer, 'Discord Restored', in G. Allison & G.F. Treverton, eds., *Rethinking America's Security: Beyond Cold War to New World Order*, W.W. Norton, NY, 1992, p. 222.

<sup>65</sup> G. Di Lieto, 'Would a US-China trade war pay dividends to Australia?', *The Strategist*, Australian Strategic Policy Institute, Barton, ACT, 9 March 2017, <https://www.aspistrategist.org.au/us-china-trade-war-pay-dividends-australia/printni/30727/>, (accessed 24 September 2017).

In sum, Australia is strongly opposed to any trade war and for good reason. Should the US proceed with substantial trade tariffs, it will undoubtedly effect the entire global economy, but Australia is appropriately positioned to capitalise and protect against any significant economic downturn.

## **Analysis**

Australia has demonstrated limited ability to influence the major powers in the region. This is compounded when China is involved, particularly due to the limited amount of political capital between Australia and China which is likely at least somewhat related to US-China ‘strategic distrust’ which results in Beijing spending an inordinate amount of time attempting to limit Washington’s influence in Asia.<sup>66</sup> From Australia’s perspective, it needs to provide a clear and consistent indication that the ANZUS alliance does not preclude Australia’s foreign policy being different to that of the US. It should be sufficiently explicit that China is aware of Australia’s position on the SCS and its stand that the dispute should be resolved within the current international rules-based framework,<sup>67</sup> and that the ANZUS alliance exists to counter any threats to either Australia or the US – threats that will not originate from China if it operates within this framework. From this perspective, Beijing knowing Canberra’s position, the onus will be on China to determine future Australia-China relations.

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<sup>66</sup> X. Li, ‘Applying offensive realism to the rise of China: structural incentives and Chinese diplomacy toward the neighboring states’, *International Relations of the Asia-Pacific*, vol. 16, 2016, p. 248.

<sup>67</sup> Australian Government, *Australia supports peaceful dispute resolution in the South China Sea*, Department of Foreign Affairs and Trade, Canberra, ACT, 12 July 2016, <http://dfat.gov.au/news/news/Pages/australia-supports-peaceful-dispute-resolution-in-the-south-china-sea.aspx>, (accessed 6 December 2017).

One of the options for Canberra can be to demonstrate that it enjoys autonomy within the ANZUS alliance system, especially if it jeopardises Australia's bilateral relations with other states. Australia has already resisted US calls to join it in Freedom of Navigation Operations (FONOPs) in the SCS.<sup>68</sup> From China's perspective, Australia should be seen to not capitulate to every whim of the US. Australia should therefore demonstrate that it can balance its relationship with the US, while being respectful of its relationship with China. This position was specifically demonstrated in the *2016 Defence White Paper*, and with Prime Minister Turnbull's comments, that Canberra is willing to embrace a multi-polar region.<sup>69</sup> By also restricting its FONOP activities<sup>70</sup> it further showed deference to China's views. More so, Australia's reticence to increase its FONOP activities, even though its citizens are overwhelmingly in favour of FONOPs,<sup>71</sup> could likewise be construed as Canberra providing Beijing concessions that it does not need to in a bid to foster bilateral relations.

Within the SCS, FONOP manoeuvres have achieved little more than heightening of China's sensitivities. In this regard, Australia electing to pursue independent actions against China is therefore unlikely to convince Beijing to alter its current postures. With India turning down Australia's bid to join its Malabar exercises out of concern for upsetting China,<sup>72</sup> if a rising power such as India cowers to China's threats, how can Australia be expected to challenge China when it is a much smaller player? While the argument for<sup>73</sup> and against FONOPs<sup>74</sup> is compelling, rather than choosing one, or the other, a middle ground of postponing FONOPs to allow for negotiations could be argued to be a better option that would demonstrate to

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<sup>68</sup> Riordan, *op cit.*; Sky News, *op cit.*

<sup>69</sup> Turnbull, *loc cit.*

<sup>70</sup> *Seven News*, *op cit.*

<sup>71</sup> Oliver, *loc cit.*

<sup>72</sup> Reuters, *op cit.*

<sup>73</sup> Jennings, *op cit.*; Glaser, *loc cit.*; Cronin, *loc cit.*; Akimoto, *loc cit.*

<sup>74</sup> Madaus, *loc cit.*; Bateman, *loc cit.*; Switzer, *loc cit.*

China the desire of all states to work with Beijing. However, offensive realism clearly reveals that China will not negotiate for the good of all states, which could then lead to a situation where the US and its allies can use China's non-cooperation to strengthen alliances and partnerships, thereby further ostracising China.

Additionally, Australia collaborating with other states to make public statements denouncing China's actions in the SCS,<sup>75</sup> but then refusing to do much more<sup>76</sup> could be construed as contradictory. It is possible while some states would appreciate that China is not being antagonised in a more confrontational manner, therefore increasing regional volatility, equally, it does nothing to reassure those other states and allies that Australia is willing to translate its statements into concrete action if required.<sup>77</sup> Likewise, avoiding China's volatility could be seen to play into its hands from an offensive realist perspective, as China is once again coercing states, via fear, to acquiesce to and appease it.<sup>78</sup> However, from an alternate offensive realist view, Australia's public stand alongside other states (whether as part of an alliance or partnership) against China's postures is undoubtedly challenging<sup>79</sup> China's objective of regional dominance.

Therefore, the US, Australia, and SCS littoral states could further induce China's concerns regarding the states aligning against it.<sup>80</sup> There are a range of options that could be considered. Particularly, the quadrilateral security dialogue should be reinstated. It was

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<sup>75</sup> Turnbull, 2015, *op cit.*; Malaysian Government, *op cit.*; Bishop & Payne, *op cit.*; U.S. Department of State, *op cit.*

<sup>76</sup> *Seven News*, *op cit.*

<sup>77</sup> Hanson, *op cit.*

<sup>78</sup> G.H. Snyder, 'Mearsheimer's World-Offensive Realism and the Struggle for Security: A Review Essay', *International Security*, vol. 27, no. 1, 2002, p. 166.

<sup>79</sup> Toft, *loc cit.*

<sup>80</sup> A. Townshend & R. Medcalf, *Shifting waters: China's new passive assertiveness in Asian maritime security*, Lowy Institute for International Policy, April 2016, p. 4, 27.

previously abandoned due to China's sensitivities,<sup>81</sup> and all it achieved was China getting its way at the cost of other states. However, Australia must also support convening of further security dialogues with other littoral states. A further option is for India to allow Australia's participation in joint Malabar naval exercises. While this incites Beijing's displeasure,<sup>82</sup> strengthening security relations with India, along with the formation of increased security partnerships would therefore reduce China's level of power and influence by limiting the number of states China is able to coerce/control. This would then likely provide states, such as India, greater resolve to not acquiesce to Chinese pressure. This would eventuate due to the increased number of states signalling their willingness to join in regional partnerships, which will likely aid in reducing a state's concern that it will be singled out for any China-based sanctions. However, China needs to be made aware that one function of the quadrilateral security dialogue, as well any other dialogues, or partnerships, is as a strategy to deal with Beijing, to constrain it and the effects of its belligerent actions, but not as a mechanism to contain it. Simultaneously, such dialogues allow Australia to demonstrate iron-clad support for a US regional presence. Offensive realism would also suggest that such partnerships increase the security of these states which therefore reduces the security of China.<sup>83</sup>

Finally, from a trade-based perspective, when focusing on the TPP, which was a US economic tool to engage more with the region, but to also contain China,<sup>84</sup> Australian leaders suggesting to include China in the TPP<sup>85</sup> appears ill-advised and clearly inconsistent. The US, from an offensive realist perspective, wants to secure as dominant a position for itself and its

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<sup>81</sup> Sheridan, *op cit.*

<sup>82</sup> Reuters, *op cit.*

<sup>83</sup> Toft, *loc cit.*

<sup>84</sup> J. Hannah, 'Muddier waters in the South China Sea', *The World Today*, December 2016 & January 2017, p. 22.

<sup>85</sup> Chang, *op cit.*

allies as is possible at China's expense. Australia's response goes counter to this. This possibly demonstrates a scrambling to re-focus Australia's foreign policies, which if accurate, can only suggest Canberra was caught unprepared. This is therefore something Canberra must carefully review. The TPP should however be abandoned and Australia should instead utilise any capital it possesses to lobby other regional RCEP participants to include some of the increased trade regulations that formed the TPP, within the RCEP. In this way, some of the TPP goals will still be realised and China's objectives would instead be diluted. Deepening Australia's engagement within its own region should also be expanded to ensure greater resilience during crises. However, should President Trump initiate a US-China trade war, Australia would be well placed to remain neutral. The global economy will suffer regardless of Australia's actions, but Australia can position itself to somewhat isolate its economy from any devastating outcomes. It can only achieve this by maintaining free and open trade with all states, including China and the US.<sup>86</sup> If it was to implement US-style tariffs against China, then there is no reason to believe other states would not likewise adopt protectionist measures. Additionally, should Australia not maintain its autonomy and elects to impose such tariffs, at a future time when US-Sino bilateral relations improve, China may use Australia's transgression against it.

## **Conclusion**

In the current international environment, Australia should not only attempt to retain the ANZUS alliance, but it should simultaneously join with the like-minded regional states to reduce some of the US security responsibilities. It must not pander to China's coercive threats, thereby reducing its own security position, but it should consider invoking China's

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<sup>86</sup> Australian Government, *op cit.*, July 2017, pp. 79-80.

sensitivities by aligning against it in an attempt to deter its hegemonic actions. Australia should then not only continue its engagement in the trilateral security dialogue with Japan and India, but it should also escalate its security relationship by reconvening the stalled quadrilateral security dialogue that provides the US a further regional security role. While China will likely be displeased, possibly giving Beijing pause for thought, it should be made clear that the security dialogue is not about containing China's rise, rather constraining its ability to increase the security dilemmas states already face.

Possibly the greatest immediate concern for Australia is any trade war between China and the US. Although the US has a much greater stake in Australia's economy, China is also a sizeable contributor. Australia must remain neutral in the event of a trade war, while simultaneously enlisting RCEP participants to retain, or reduce, current trade tariff levels and avoid any protectionist measures. In addition, should Australia increase its trade to both China and the US to meet shortfalls that would normally be met bilaterally between these two states, President Trump's proposed trade tariffs would then likely cause much less disruption to Australia's economy than is possible.

## **Chapter 6**

### **Conclusion**

United States President Donald John Trump entered the White House on the back of a campaign that could be viewed as somewhat isolationist. His campaign rhetoric was unlike that of a presidential candidate during the past 70 years. His ideas and postures deviated so significantly from the expected norms (of the US maintaining the global institutions they had successfully enacted, as well as the rules-based order), that he pushed the world in a lurch of instability, indecisiveness and uncertainty. In a sense, Trump gave signal to the countries of the world that he intends to dilute the alliance system, withdraw from the Trans-Pacific Partnership (TPP) and follow an isolationist policy to ‘Make America Great Again’. Considering this as an appropriate opportunity, a rising China accelerated its ante to usurp the US alliance partners, vociferously pursued its claims over the South China Sea and initiated new business and trade frameworks.

Trump’s view of other states being a drain on the US economic resources led him to a suggested posture of effectively diluting the US-led, San Francisco “Alliance” System, and leaving states to fend for their own security. While he singled out NATO, Japan and South Korea, there was reticence regarding Australia. Though the Trump administration policies are still in a formative stage, and yet unclear what final shape these will take, sufficient pressure has however been placed on these states to re-evaluate their own security architecture, possibly leading to a realignment, or greater level of influence, towards China. Ultimately, this impacts Australia, particularly if previous US-allied states that were friendly with



Australia fall under China's security umbrella and become much less friendly. Alternatively, if states such as Japan, South Korea, Vietnam and the Philippines continue to rally against Chinese regional hegemony, this would lead to even greater regional instability and likewise jeopardise Australia's regional interests. This however is expected within an offensive realist framework as the security dilemma experienced by these other states from China is rallied against in an attempt to reduce it.

If Trump intends to abandon the alliance system, it places Australia in a position where it too would need to provide for its own security. This could possibly be accomplished by forming a coalition of regional states, which could include Japan and South Korea, to maintain the regional status quo to ensure any security dilemma is minimised. Even if Trump does not plan to follow through with his suggestion, China is still, however, attempting to undermine not just the US alliances, but also credibility of the US in the Asia-Pacific, in an attempt to coalesce regional states into Beijing's sphere of influence. If Australia is not willing to cede its current position within the region and fall into line with a Chinese regional hegemony, then the ANZUS alliance must remain the foundation of Canberra's security architecture, or it must quickly form security agreements with other regional states.

Of significant note, China's tactics should, however, be expected from an offensive realist perspective. Beijing is well aware that the constraints that have kept it in check are eroding. It no longer serves China any purpose to abide by the US-led, rules-based order. The introduction of new institutions that it maintains significant influence within, such as the Conference of Interaction and Confidence-Building in Asia (CICA), the Six Party Talks, the Shanghai Cooperation Organisation (SCO), and the Belt and Road Infrastructure initiative

(OBOR), along with the Regional Comprehensive Economic Partnership (RCEP) and the Asian Infrastructure Investment Bank (AIIB), provide it a power-base that offer real alternatives to the current US-led institutions.

The Trump administration's policy orientations towards the South China Sea (SCS) have also been markedly inconsistent, thereby contributing to the region's instability. It was argued that in the event of a US withdrawal, it could possibly reduce China's antagonistic manoeuvres and help China reach a resolution to the disputes, without affecting Australia's security. However, at the same time, it is witnessed that with the US power relatively receding in the SCS, China is congruently demonstrating its position of dominance. Due to China's disregard for the current rules-based order, in conjunction with its growing regional influence, it is therefore likely Australia will experience an increasing security dilemma. What this means, is that should China attain unfettered SCS sovereignty, as it demands, it allows Beijing to exclude any state it desires, including the US and Australia, which provides it a significant leverage within the region.

Even though Beijing is aware of the frailty of its arguments and postures, China's position is currently unwavering. It is not prepared to relinquish its claims of SCS sovereignty, even in the face of the adverse Arbitral Tribunal ruling, which demonstrates offensive realism to be the appropriate theoretical paradigm in which to assess its behaviour. Though Australia's stand at the public platforms against China is not received well, it remains paramount that instead of budging to Beijing's pressure, Canberra should maintain its opposition to the Chinese actions in the SCS. However, Australia must simultaneously foster healthy bilateral relations.

Possibly the most contentious issue in the South China Sea Dispute (SCSD) is Freedom of Navigation Operations (FONOPs). While there is no clear legal consensus on FONOPs, arguably, the operations have achieved little in resolving the SCSD. Ultimately, the US administration has taken positive steps in refusing to discuss FONOPs outside the annual report. If this leads to a reduction in public dissemination about these activities, Beijing's embarrassment will therefore recede. Australia can however advocate for a further reduction in China's embarrassment. This can be achieved by suggesting all parties privately inform China that they are postponing their FONOP activities. Along with this information must however come the caveat that the disputes are then expected to be resolved. While this allows China to not only save face, but the necessary room needed to reach to a resolution, should it take the gesture for granted and make no serious attempts at reaching a consensual resolution, as is expected from an offensive realist perspective, then FONOPs can be recommenced. At that point, China can be shown to be the non-cooperative party.

Australia should therefore discern itself from the US to demonstrate that Canberra is sensitive to China's interests and emphasise that Australia's policies are clearly not dictated by either the ANZUS alliance or by the US more generally. However, should Beijing refuse to cooperate as offensive realism anticipates, even after all states have displayed sensitivity to its cultural constraints, security dialogues should be convened between regional states to demonstrate that Beijing's continued belligerence will not be tolerated. This will not only reduce the US security responsibilities throughout the region, but also the overwhelming drain on US resources.

Additionally, the US withdrawal from the Trans-Pacific Partnership (TPP) has undoubtedly allowed China to increase its economic influence via its own initiatives. While undermining the US regional leadership, Australia's position in the China-backed initiatives ensures that it is not economically disadvantaged and if this be so, Canberra demonstrates some leverage. The possible exit of both the US and China from the World Trade Organisation (WTO) would however create uncertainty surrounding the global trade and should be avoided. Trump's repeated threats of trade tariffs against China have also resulted in Beijing assuring retaliation against any such sanctions. However, while liberal views would suggest the value of the interconnected global economy ensures that the level of damage to all economies will likely prevent this from occurring, offensive realism is not so sanguine. The reality is, China will protect its power-base before giving due concern to its economy. China's implementation of the CICA, the AIIB, and other such institutions is however creating a situation where China's growing influence within other states will make any future sanctions against China largely impossible to implement. This therefore places China in a powerful and commanding position and there is no reason China could not enforce sanctions against Australia.

As the US and China are equally important to Australia's economy, Canberra must therefore oppose any trade war. Should the US proceed with substantial trade tariffs, it will not only undermine the entire global economy, sparing no state, but it will likely place Australia in a difficult position to choose between supporting the US in implementing similar tariffs, or ignoring any US call for such bilateral sanctions which would then clearly demonstrate Canberra's support for Beijing. In the event of a trade war, Australia would do well to align with other RCEP participants in opposing protectionist measures and instead retaining current trade tariff levels or even reducing/eliminating them entirely. While Australia's living

standards will undoubtedly fall in the event of a trade war, any reduction will not be as severe as what is possible if all states imposed protectionist measures. Additionally, Australia maintaining free trade with the US and China places it in a position to increase trade to both states to meet shortfalls that would normally be met bilaterally between these two states. This would likewise cushion the deficit that would otherwise have affected Australia's economy. For these reasons, it is paramount that Australia maintains its neutrality concerning any US-China trade war.

If the election of President Trump has done nothing else, it has however provided Australia due warning that the status quo is not assured indefinitely. Canberra should use this opportunity to seriously re-evaluate its longer-term foreign policy. While Trump's postures may be erratic, and if implemented would undermine the US-led, rules-based order, it is however not possible to know China's long-term goals. Offensive realism does however suggest China will do all it can to achieve regional dominance at the expense of the security of all other regional states. For this reason, China poses numerous strategic and security risks that can be best managed with not only the continuance of the ANZUS alliance, but also through establishment of additional regional security dialogues.

In conclusion, while this thesis has in parts taken quite a hard position, John Mearsheimer's offensive realist theory demonstrates it is warranted. While the Australia-China relationship is essential for Australia's future prosperity, the international environment is however undergoing a period of rapid change, and the systems that have ensured security and prosperity are being increasingly challenged by China. While China could very well provide increased possibilities for the region should it assume regional hegemony, the problem is,

Australia cannot be certain of that fact and offensive realism would suggest otherwise. If there was an ability to predict a stable and secure future with a Chinese regional hegemony, then that is one thing, but the reality is, the unpredictable nature of Trump is mirrored, and has been for a markedly longer period of time, in China, and the future is therefore more likely to align with the expectations of offensive realism.

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