

Chapter 5

Australia: Bipartisan Consensus for Deeper Engagement in Asia

In 2013, Australian domestic politics went through a period of transition. In June, political infighting within the ruling Labor Party resulted in a cabinet reshuffle, with Julia Gillard replaced by Kevin Rudd as prime minister. Furthermore, the general election held in September produced the first government handover in six years, from the Labor Party to Coalition, with Tony Abbott emerging as the new prime minister.

Amidst such transitions in domestic politics, Australia's security strategy, including its defense policies, enjoyed fundamental continuity. In particular, the three governments that came in power in 2013—the Gillard Labor Party, the Rudd Labor Party, and the Abbott Coalition (hereinafter, "Coalition")—all shared a recognition that the center of gravity both in strategic and economic terms is increasingly shifting towards the so-called "Indo-Pacific," stretching from the Indian Ocean to the Pacific Ocean. Based on those shared perspectives, the three Governments in 2013 all were in agreement about the strategic necessity to step up Australia's engagement with that region. In that respect, Australian security clearly enjoys a broad "bipartisan consensus."

Indeed, the Abbott-led Coalition made a foreign policy-related pledge during the general election campaign in which it took the stance of emphasizing the Asia-Pacific/Indian Ocean region. Once the Abbott government was inaugurated, then, the new prime minister and other senior ministers made good on that pledge by officially touring several Asian countries. Similarly, until September 2013, while it was still in power, the Labor Party also strove to boost Australia's engagement with Asia. That is evident in the 2013 Defence White Paper released by the Gillard government in May 2013. The White Paper, which describes the increasingly important region of Asia as the "Indo-Pacific," lays forth a policy direction of intensifying the policies of "defence engagement," including regional unit-to-unit exchanges, joint training strategy dialogues, as well as participation in multinational institutions.

Meanwhile, the fact that a bipartisan consensus exists regarding reinforced Asian engagement does not necessarily imply that the Asian policies of the Labor Party and the Coalition are exactly alike. Rather, the Abbott government has introduced its own color and tastes into Australia's Asian engagement, including its apparent aspiration to further strengthen Australia's already strong alliance with the United States. In that context, the Abbott government has articulated its intention to closely coordinate its policies with those of the United States by, for

example, taking a more forthright stance towards the East China Sea situation than did the previous government, as expressed at the Australia-US Ministerial Consultations (the so-called, “AUSMIN 2+2”) held in November.

1. The 2013 Defence White Paper: The Indo-Pacific Concept

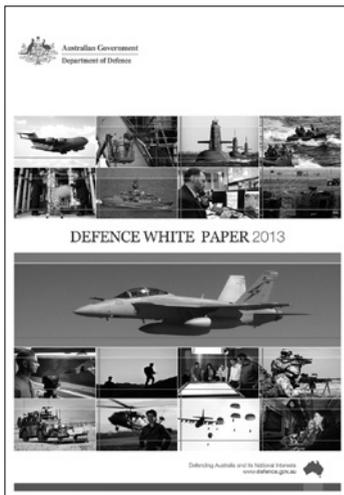
(1) Shifts in the World’s Economic and Strategic Centers of Gravity

In May 2013, the Gillard government released the 2013 Defence White Paper (hereinafter, the “2013 White Paper”). Australia’s Defence White Papers differ from Japan’s Defense White Papers in that they are considered to be the most important public defense document—prepared when necessary by each administration—to comprehensively demonstrate the government’s thinking related to defense policies, such as strategic goals, the strategic outlook, the structure and posture of the defense force, the budget, international activities, and relations with foreign countries. The latest Defence White Paper is the sixth version published since the first one was released in 1976 by the Malcolm Fraser government.

One of the unique expressions that readers may find in the 2013 White Paper is probably the “Indo-Pacific” concept. The White Paper explains that the concept is

a logical extension of the “Asia-Pacific” concept that had been used until the previous 2009 Defence White Paper (hereinafter, the “2009 White Paper”). As for the background from which that concept arose, one can cite the following: (1) the growing importance of the Indian Ocean as a shipping route, (2) the fact that a rising India is pursuing “look East” policies, and, (3) the prospect that the Indian Ocean will become a busier place with the maritime activities of China, India, and others.

Still, one cannot fully understand the perspective of the Gillard government simply by interpreting the Indo-Pacific concept as an expanded version of the “Asia-Pacific.” Instead, as shall be seen below, one must not overlook that the Gillard government’s “Indo-



The Defence White Paper released in May 2013 (reproduced with permission from the Australian Department of Defence)

Pacific” concept is underpinned by the following three power dynamics emerging in Australia’s strategic environment.

The first such dynamic is what the Australian government terms the ongoing shift in the global center of gravity. The 2013 White Paper demonstrates the perception of a global shift in the center of gravity from the West, including North America and Europe, toward the East, which stretches from the Indian Ocean through Southeast and Northeast Asia and on to the Pacific Ocean, on account of the rising national power of such Asian countries as China, India, Indonesia, and South Korea. As a result, the White Paper forecasts that the Indo-Pacific region will exert increasing weight on Australian defense policies.

The strategic outlook outlined in the White Paper is in close synthesis with the “Asian Century” perception that the Gillard government had treated as one of its key policy themes. The concept of “Asian Century” is described in the “Australia in the Asian Century” White Paper (hereinafter, the “Asia White Paper”) released in October 2012. The document declared that the world’s economic and strategic center of gravity, as shown by various economic indicators, is shifting from North America and Europe toward Asia. In a speech given at the launch of the Asia White Paper, Prime Minister Gillard noted that the arrival of the Asian Century posed “great questions” to Australia, adding “History asks great nations great questions.”

What she meant by “great questions” can be even described as a fundamental issue for Australia’s geopolitical identity. Traditionally, judging by its longtime nickname of “Down Under,” which a Japanese dictionary translates as “on the opposite side of the world from the United Kingdom,” Australia has looked upon the “tyranny of distance” as a given, removed as the country is from Europe and North America, which represent in many respects its national roots, and which has been for a long period of time the center of the world’s economy. However, with Asia emerging as the most dynamic and perhaps increasingly pivotal part of the world both economically and strategically, Australia finds itself in a situation where the traditional “tyranny of distance” is gradually replaced by “prospects of proximity,” adjacent as the country is to Asia. Because of that, it has been increasingly perceived and discussed in Australia that it is optimally placed geographically to enjoy the benefits that ought to accrue from the Asian Century. Considering that point, another background element underlying the introduction of the Indo-Pacific concept in the 2013 Defence White Paper may be a self-

promotion of Australia's geopolitical importance, presenting the country as looking out onto the very "stage" on which the Asian Century will be played upon, namely, the broad region stretching from the Indian to the Pacific Oceans.

The arrival of the Asian Century also constitutes a turning point in Australia's national security. The document entitled *Strong and Secure: National Security Strategy*, published in January 2013, looks back on the past twelve years since the terrorist attacks on the United States on September 11, 2001, as an era when Australia focused its national security on preventing terrorist activities. As a matter of fact, Australia sent forces to the war in Afghanistan for the first-ever example of the ANZUS treaty being put into motion, stationing 1,650 troops largely concentrated in Oruzgan Province at the peak, and was even one of the few states participating in the Iraq War from the outset. As the tide of war is receding, the Gillard government also made clear its perception that the "9/11 decade" was ending and that it was now "beyond the 9/11 decade," floating the idea of a "global power balance shift to the Asia-Pacific," and positing, as one of its primary themes, that a "strategic reordering" was taking place, due to the growing importance of Asia. Aligned with such perspectives of the National Security Strategy, the 2013 Defence White Paper also focused the defense policies further on the rising Asia which is now described as the Indo-Pacific region.

(2) The US-China Relationship: The "Heart" of the Indo-Pacific

Another power shift surrounding the Indo-Pacific concept is the changing power relativities between the major powers. The 2013 White Paper outlines two perspectives concerning that point. The first is the perception that the regional order is moving toward a "complicated and competitive" system—as a result of the rise of China and India, among others—in which various powerful countries interact; in more blunt terms, it is the perception of the relative decline of the United States, whose over whelming power underlined the regional order for a long time. Although the recent White Paper does not indicate that development through a literal use of the expression of "the relative decline of the United States," the fact that the Gillard government did perceive such a change is easily inferable by drawing upon other policy documents and the speeches of its cabinet members. For instance, the Australian Defence Force Posture Review employs franker language when it points out the following: "the margin of US strategic primacy in the Asia-Pacific is reducing as China rises, even more quickly than anticipated in

the 2009 Defence White Paper.”

Meanwhile, the 2013 White Paper also notes that the United States, while in relative decline, will continue to be the world’s most powerful country. An expression in the document reflecting both points—namely, the United States being in relative decline while still remaining the world’s strongest country—is the phrase describing the United States as the “world’s strongest military power and the most influential strategic actor in our region for the foreseeable future.” The point of this phrase can be interpreted as follows: by no longer using the word “primacy” that had traditionally been employed when talking about the United States, the expression intimates that the world is moving toward a more multipolar order, while at the same time still regarding the United States as the most powerful country.

Also, the White Paper asserts that the US-China relationship “will more than any other single factor determine our strategic environment over coming decades,” adding that they are positioned at the heart of the continued stability and prosperity of the Indo-Pacific, thereby stressing their importance. Of course, as has already been indicated, the document also emphasizes the rise of India, describing the future prospect of the trilateral interactions developing among the United States, China, and India as the most important relationships. At any rate, it speaks of that only as a possibility in the very long term. For the time being, the document clearly states that China and the United States are two of the world’s most powerful countries both regionally and globally.

The 2013 White Paper, in reference to the US-China relationship, contains the following statement: “The Government does not believe that Australia must choose between its longstanding Alliance with the United States and its expanding relationship with China.” What does that statement mean? The fact that it does not imply any equidistant diplomacy between the two countries is too obvious to emphasize when one compares the US-Australia alliance, in which the two allies are committed to mutual defense, with the Sino-Australian relationship, in which dialogues and exchanges between military officials and small-scale joint training in areas such as HA/DR have just begun and remain at a preliminary stage. In addition, as will be seen in section 2 of this chapter, the Gillard government knew that cooperation with the force posture initiative of the US military was also a significant step for the United States’ “cooperation from strength” policies towards China. Moreover, as Australian Minister for Defence Stephen Smith clearly denied, Australia does not intend to serve as some sort of a direct “bridge”

between China and the United States. In other words, the meaning of the aforementioned statement is simply a reconfirmation of Australia's longstanding policy of strengthening its alliance with the United States while concurrently deepening its strategic and economic relationship with China.

The primary reason for the Australian government's going out of its way to confirm such an apparently obvious position can be found in the Australia's domestic policy debate. In recent years, experts in the country have engaged in a broad debate about the "power shift" from the United States to China and the implications of that, with people talking about an "America or China" choice in which "one day" Australia would "have to choose" between a rising China and its current ally, the United States, if relations between the two should worsen. In order to counter-argue the "America or China" choice question, the White Paper included the aforementioned statement in intention of reconfirming the government's position of simultaneously pursuing the development of the alliance with the United States and the relationship with China.

However, Canberra definitely does not blindly subscribe to the outlook that the US-China relationship will easily develop in a positive fashion. In a section about the Sino-American relationship, the 2013 White Paper takes the stance that its policy "is aimed at ... ensuring that strategic competition in the region does not lead to conflict," thus modestly expressing a certain degree of apprehension about the future of the US-China relationship. If so, perhaps the sentence that best reflects Australia's thinking of the relationship between its long standing ally and the rising dragon was a frank expression voiced by Secretary of Foreign Affairs and Trade Peter Varghese, who said, "Australia does not wish to have to be placed in a position of having to choose between the United States and China" (for more details on how Australia perceives the risks that the US-China relationship may pose, see p. 89 of *East Asian Strategic Review 2013*).

The 2013 White Paper's description of China also raises many debates among Australian policy experts. One is whether or not Australia has softened its overall perceptions of China. Ever since the White Paper was released, the media and experts in Australia, Japan, and elsewhere have evaluated the White Paper's perceptions of China as being more relaxed than those of the previous White Paper. In the least, it is true that the 2013 White Paper includes new statements that sound favorable to China that were not seen in the previous White Paper, making it hard to deny that such an evaluation does have some basis. For instance,

one finds sentences such as “the Government does not approach China as an adversary” or expressions such as “[China’s] military is modernising, as a natural and legitimate outcome of its economic development.”

However, the assessment that the 2013 White Paper has relaxed perceptions of China may be too simplistic, for the reason that a close analysis of its contents leads to the understanding that while the words used have been carefully chosen, the document has basically inherited a similar risk perception to that of previous White Papers. In fact, even the 2013 White Paper uses toned-down, but clear language when referring to the possibility that neighboring countries would be concerned about China’s military modernization—as pointed out by previous White Papers—when it says, “This will inevitably affect the strategic calculations and posture of regional countries.” It also makes concrete reference to the above fact, using such expressions as the “effect of China’s rise is being felt” by Southeast Asian countries and “Japan’s concern about China’s military modernisation.” Furthermore, insofar as the possibility of China entering into conflicts with other nations is concerned, the section on the US-China relationship, for example, includes the statement that Australian policies would aim at “ensuring that strategic competition in the region does not lead to conflict,” allowing one to confirm that Australia continues to perceive, at least the risk of conflict between the United States and China.

If that is the case, why does the 2013 White Paper tone down the language used to discuss the risks stemming from the rise of China as compared with the previous White Paper? Part of the reason behind that is likely a lesson learned from the experience of the 2009 White Paper. Indeed, the previous White Paper wrote about the risks posed by the rise of China on multiple occasions, saying that its military rise was a potential concern for the region, and quite a few people saw those statements as being possibly too provocative toward China (see p. 63 of *East Asian Strategic Review 2013* for statements made about China in the 2009 White Paper). For instance, it was reported that Chinese diplomats and intellectuals had said that “now it looks like [then Prime Minister Rudd] wants to act on behalf of America against China” in their discussions of the 2009 White Paper. That experience led to the special consideration given to China in the latest White Paper, with the result that the statements about that country were made more cautiously. In consideration of that, it is necessary to take with a grain of salt the judgment of how much the change in descriptions of the risks involved with the rise of China really mean an actual change in perceptions about that country.

(3) Southeast Asia: Architectural and Geostrategic Center of the Indo-Pacific

The third shift embodied in the Indo-Pacific concept is the burgeoning strategic weight of Southeast Asia. Of course, the recent White Paper is by no means the first document that places a premium on the importance of Southeast Asia. Even both the previous 2009 White Paper, as well as the 2000 Defence White Paper before that (hereinafter, the “2000 White Paper”), had positioned Southeast Asia clearly as a “priority region” within the Asia-Pacific. That was based on the position that if Australia were ever to be attacked by a potential adversary, it would either have to cross Southeast Asia, which stretches along the north of the country, or would launch attacks from bases within that region. In contrast to that, the 2013 White Paper places unprecedented emphasis upon the following three viewpoints regarding the strategic importance of Southeast Asia.

The first viewpoint concerns the geographical significance of Southeast Asia within the Indo-Pacific concept. The 2013 White Paper describes Southeast Asia in the Indo-Pacific as a “geostrategically central position between the Pacific and Indian Oceans,” emphasizing its importance. It is not clear what, exactly, the concept of “geostrategy” means, but the White Paper at least refers to the growing importance of Southeast Asia as a conduit for Indo-Pacific trade routes, as well as a stage upon which regional countries increasingly compete for influence.

The second viewpoint is the more explicit and detailed attention paid to the growing national strength of Southeast Asian countries by the 2013 White Paper as compared with previous White Papers. The 2013 White Paper demonstrates an awareness that national strength is increasing broadly across the various countries of the Indo-Pacific, and not just that of the major countries of the United States, China, India, and Japan, representing a challenge to the “relative strategic weight” of Australia. The modernization of the militaries of Southeast Asia countries is particularly emphasized in that context. The section of the White Paper referring to the improving military strength of countries in the region gives particular attention to the plans by Southeast Asian countries, along with those of China and India, to spend money on defense.

The third viewpoint, then, is the explicit reference made by the 2013 White Paper, unlike White Papers of the past, to the importance of the Association of Southeast Asian Nations (ASEAN) in the broad context of the overall institutional architecture in the Indo-Pacific region. That is namely the idea that the ASEAN

Table 5.1. Strategic interests

2000 Defence White Paper		2009 Defence White Paper		2013 Defence White Paper	
1st Strategic Interest	Defence of Australia	1st Strategic Interest	Defence of Australia * Emphasis on efforts to maintain Strategic Hedge policy over Indonesia, etc.	1st Strategic Interest	Defence of Australia * Vagueness of descriptions concerning maintenance of Strategic Hedge Superiority against Indonesia, etc. * Emphasis on importance of engagement policies in the Indo-Pacific as a policy to maintain Defence of Australia
2nd Strategic Interest	Immediate Neighbourhood	2nd Strategic Interest	Immediate Neighbourhood	2nd Strategic Interest	Immediate Neighbourhood * Removal of reference to Indonesia, where democracy has taken root
3rd Strategic Interest	Southeast Asia	3rd Strategic Interest	Asia-Pacific * Special emphasis on Southeast Asia to the north of Australia	3rd Strategic Interest	Indo-Pacific * Broader regional concept in consideration of India's rise and importance of Indian Ocean
4th Strategic Interest	Asia-Pacific * Emphasis on primacy of United States	3rd Strategic Interest	* Explicit reference to power shift from the United States to China, the emergence of Southeast Asian states, and relative decline of Australian power * Reference to shift in economic global weight to the Asia-Pacific * Emphasis on Force 2030 as way to hedge risk	3rd Strategic Interest	* Repeated emphasis of the fact it is a priority area with growing global strategic importance * Additional emphasis on importance of Southeast Asia as a center of architecture and regional strategy * Greater awareness of power shift from the United States to China, the emergence of Southeast Asian states, and relative decline of Australian power, using revised expressions * Repeated mention of Sino-US relations as most important factor * Emphasis on Engagement policy to reduce probability of risk
5th Strategic Interest	Global	4th Strategic Interest	Global	4th Strategic Interest	Global

Sources: Based on statements in Defence White Papers of 2000, 2009, and 2013.

has an important role to play in the construction of multinational institutions in the Indo-Pacific through the development of shared norms and “habits of cooperation,” as an example of successful institutional architecture.

White Paper’s emphasis on Southeast Asian nations and ASEAN offers important suggestions for an analysis of how Australia thinks about the future of the regional order. That is to say, while the recent Defence White Paper states on

the one hand that the US-China relationship will be the “most important bilateral relationship,” also recognizing that its relationships with the major countries of the United States, China, India, Japan, etc. will be important, Australia’s vision for the future regional order is by no means just a simple “G-2” (i.e., the United States and China) or “Concert of Asia” idea. It is precisely because the White Paper, at least, recognizes the role of “middle powers” such as those of Southeast Asia and the functions of multinational institutions such as ASEAN. In that sense it is at least clear that Australia’s view of the regional order cannot be fully expressed by such simple concepts as the G-2.

Amongst ten Southeast Asian countries, the White Paper places a particular emphasis on the importance of Indonesia. It describes the bilateral relationship with Indonesia as Australia’s “most important relationship in the region.” In the chapters discussing relationships with various countries, the White Paper places even more emphasis on the relationship with Indonesia than it had in previous White Papers, Indonesia’s importance is reflected in the White Paper’s international engagement section, where it comes second in the list of international partners, or only after the long-standing ally, the United States.

There are at least three reasons behind the growing emphasis on Indonesia. The first is the increasing difficulty in maintaining the so-called “Capability Advantage” or “Capability Edge” policy. Traditionally, Australia’s defense policy has been based on the premise that Australian Defence Force (ADF) could enjoy a clear superiority in terms of military quality over countries in its neighborhood despite being inferior in terms of industrial, demographic and military quantity. However, with the progressive modernization of Indonesia’s armed forces (TNI), those policies have become increasingly harder to maintain. In fact, the latest White Paper refers to Indonesia’s military modernization in concrete terms, mentioning that the Indonesian Navy is seeking to introduce advanced corvettes, submarines, and antiship guided missiles, along with the fact that it is boosting the capacities of its air force to match the level of other Southeast Asian countries. Because of that, Australia further recognizes the importance of building ties and trust with Indonesia in order to minimize the risks of conflicts, rather than maintaining the Capability Advantage policy for the purpose of hedging against wars against its northern neighbor.

The second reason is the change in perception about the internal political stability of Indonesia or the maturation of its democracy. In comparison with previous

White Papers, the 2013 White Paper gives an explicitly positive assessment of the progress of democracy and economic growth in Indonesia. Also, it did not include statements directly mentioning Australia's concerns about Indonesia's internal stability as referred to by previous White Papers. Nonetheless, though it is showing a position of watching Indonesia closely, and thus is not completely without concern about that country's future, it is clear that there has been a visibly positive turn in the language used.

One piece of evidence demonstrating that is the change in Indonesia's positioning within Australia's strategic interests. Until the previous 2009 White Paper, included Indonesia in the scope of the "Immediate Neighbourhood" concept, comprised of unstable developing countries in which it repeatedly carried out stabilization operations and HA/DR efforts, along with the island nations of the South Pacific, as well as Papua New Guinea and East Timor (Timor Leste). However, the 2013 White Paper removed Indonesia from the "Immediate Neighborhood" list, and stopped treating that country along with other occasionally unstable developing neighbors near Australia. In this way, the 2013 White Paper clearly demonstrates Australia's growing confidence about Indonesia's democracy.

The third reason is the growing importance of Indonesia as an active player on the wider regional and international stage. The latest White Paper points out that Indonesia's influence as a player on the international stage is growing, such as being a member of the G-20 (Group of Twenty major countries and territories), the East Asia Summit (EAS), and ASEAN, among others, emphasizing that cooperative relations with Indonesia are becoming increasingly important to Australia. The increasing importance of ASEAN, mentioned particularly at the beginning of this chapter, is another factor in the emphasis on Indonesia, which has a "leading position" in that institution.

2. The 2013 Defence White Paper: Reinforcing Defence Engagement in the Indo-Pacific

(1) Differences with the 2009 Defence White Paper

The previously drafted 2009 White Paper, as seen in its subtitle, "Australian Defence in the Asia-Pacific Century," presented similar perceptions about shifting power relativities, just as the most recent White Paper has done. Those included the "shift of economic weight to the Asia-Pacific region," the rise of China as the

strongest military power with a considerable margin, and the “end of the so-called unipolar moment” of the United States, along with mention of the growing national strength of Indonesia. In fact, the 2013 White Paper points out that it was also drafted as the assessment of the strategic environment in the 2013 White Paper largely “remains the case” and a number of trends described in the previous White Paper have become more evident. Accordingly, both White Papers can be regarded as dealing with the common theme of how Australia should formulate its defense policies with the rising importance of the Asia-Pacific or Indo-Pacific, respectively, as the military and other national powers of the regional countries rapidly grow.

However, in answering this common theme the two White Papers present policy sets of different foci. The approach emphasized by the 2009 White Paper was the policy of “Strategic Hedging,” which involved the pursuit of the long-term amplification of the Australian Defence Force’s war-fighting capabilities keeping the following two risks in mind. The first of those was the military modernization of neighboring countries. Traditionally, Australia has stressed the Capability Advantage policy of maintaining superiority in the quality of its military over neighboring countries. The 2009 White Paper presented the outlook that the progressing military modernization of such countries represented a challenge to the Capability Advantage of the ADF in the future, and because of that it emphasized the need of further investing in the maintenance of Australia’s qualitative superiority, bearing in mind a potential scenario that relations with those countries would become adversarial in the future, or that those countries might begin reinforcing their military capabilities targeting at Australia.

The second risk was dramatic changes in the major powers’ relations in the Asia-Pacific. The 2009 White Paper referred to the possibility of a dramatic worsening of the strategic environment, including a drastic retrenchment in the regional role of the United States or a conflict involved with major powers. Also, it went on to say that Australia, in either case, would need an even more powerful military, emphasizing the necessity of maintaining a certain “foundation” of military buildup that would be required to meet such cases.

As an implementation of the Strategic Hedging policy, the 2009 White Paper envisioned the so-called “Force 2030” plan for a long-term buildup of the ADF’s capabilities (for details on Force 2030, refer to *East Asian Strategic Review 2013*). In other words, the core of the 2009 White Paper can be regarded as the idea that Australian Defence Force strength needed to be built up to a certain extent to

hedge against future risks of conflict.

In contrast to that, the approach stressed by the 2013 White Paper was the “International Defence Engagement” policy (hereinafter, “Defence Engagement”). That policy is by no means a new concept, as it already had been used in some earlier documents, including “The Strategic Framework 2010,” which explains the framework for the planning and implementation of defense policies. Judging from the statements of that document and those of the most recent White Paper, Defence Engagement can be defined as the broad spectrum of international peacetime activities by the military, such as troop exchanges, strategy dialogues, capacity building support, and participation in multinational institutions. The 2013 White Paper treats the themes and goals of that kind of Defence Engagement as constantly changing, declaring the importance of dealing with two themes, described below, when thinking about the Indo-Pacific.

The first theme is the maintenance of Australian influence in the Indo-Pacific. The 2013 White Paper demonstrated the perception that competition for influence in the Indo-Pacific is intensifying as the countries in the region rise in power, warning that “competition for access and influence will be greater, and consideration of Australia’s interests and views less assured.” As a result, it is believed that one reason for deepening Defence Engagement in the Indo-Pacific is to build closer ties with countries in the region, assert Australia’s presence, and secure its influence.

The second theme for Defence Engagement is the avoidance of potential conflicts in the region. As discussed in the first section, the 2013 White Paper said that there was the risk of conflict through the intensification of competition or miscalculations, given the arrival of a period of transition with the rise of various states in the Indo-Pacific. Those include friction between China and surrounding countries, the possibility of a worsening of the US-China relationship or conflict between those two nations, and continued quiet prudence about the future of Indonesia, although trust is growing with that country.

Based on such perceptions, the White Paper discusses the necessity of encouraging “habits of cooperation,” “mutual dialogue,” and “confidence building” among countries, building a community that would reduce the risk of conflict, as well as help to avoid miscalculations and misperceptions. To that end, the document asserts the need to boost Defence Engagement in the pursuit of building various cooperative relationships during peacetime. That is to say, the essence of Defence Engagement can be said to be policies focusing on how to

manage the possibility of conflicts before they occur.

Meanwhile, the 2013 White Paper presents a two-sided evaluation of multilateralism, such as the EAS and the expanded ASEAN Defense Ministers Meeting (ADMM Plus). The White Paper frankly points out the limits and issues of multilateralism, while describing it as an important tool for achieving the goals of Defence Engagement, but at the same time also giving the view that they may “remain a modest supplement to long-practised bilateral statecraft.”

(2) Rationale for Deeper “Defence Engagement” in the Indo-Pacific

As analyzed so far, a comparison of the two White Papers shows that the 2009 document had put a clear emphasis on Strategic Hedging, which calls for substantial military build-up to be ultimately prepared for the outbreak of conflicts, while the 2013 White Paper emphasized the value of Defence Engagement, which is striving during peacetime to reduce the likelihood of conflict. Why, then, was there the shift in policy focus from hedging to engagement? Four reasons are behind that.

The first reason for the shift of emphasis is the difference in the roles played by the two White Papers. Defence Minister Stephen Smith has looked back on the near-decade gap between the 2009 and the 2000 White Papers was simply much too long. Since it was the first review process up for such a long time, he continued, the 2009 White Paper almost exclusively focused on the defense strategy as well as the capability of the Australian Defence Force. Because of this the natural expectations for the 2013 White Paper—while building largely upon the strategic judgments laid down by the 2009 White Paper—were to look at other issues not fully dealt with by the previous White Paper, such as a review of the force posture, organizational and personnel issues, and regional and international activities. That is undeniably a factor leading to the 2013 White Paper’s greater emphasis on both the importance and future direction of Defence Engagement.

The second reason for the shift in policy focus is the advent of opportunities to boost engagement. The first is the increasing national strength of countries in the region. Unlike its predecessor, the 2013 White Paper did not merely look at the military modernization of countries in the region as a potential risk for Australia, but also drew positive implications from such trends as the increased capability of Southeast Asian countries and others can be a foundation for furthering various types of cooperation between these regional countries and Australia. For instance,

in July 2012, the Indonesian Air Force participated in joint exercises, called “Pitch Black,” sponsored by the ADF, with its Su-30 and Su-27 fighter jets. That has repeatedly been touted as an opportunity for engagement made possible precisely because Indonesia’s military capability had improved. The second favorable opportunity was the ending of major foreign missions in which the ADF was involved. It already withdrew from East Timor (Timor Leste) in March 2013, and from the Solomon Islands in June of the same year. Also, in December 2013, the ADF pulled out 1,150 of the 1,550 troops it had deployed in the Oruzgan Province of Afghanistan, and the policy direction for the total pullout of troops in the current mission has been confirmed to occur by the end of 2014. The third favorable opportunity, meanwhile, is the Obama administration’s policy of rebalancing toward the Asia-Pacific. Australia has highly praised the move of the United States toward greater engagement with the Asia-Pacific, and has made clear its stance of engaging with the region along with that country.

The third reason for the shift in policy focus is represented by the hard problems confronting the 2009 White Paper’s hedging plan or Force 2030. One of those is the delay in plans to construct advanced submarines as well as the development program of F-35 joint strike fighter, both key portions of Force 2030 (see p. 65 of *East Asian Strategic Review 2013*). The second of those is financial problems. Ever since FY 2008–09, the Australian federal budget has continued to suffer deficits, and the government has been working to reduce spending so as to bring back a surplus. In 2012, defense-related spending was accordingly reduced by AU\$ 971 million, pushing it down to 1.56 percent of GDP, the lowest level since 1938. Initially, the Gillard government had intended such efforts to result in a restoration of a budget surplus in FY 2012–13, although Deputy Prime Minister (concurrently Treasurer of Australia) Wayne Swan announced in December 2012 that tax revenues had remained at lower levels than expected and that it would thus be difficult to achieve that goal. The defense budget for FY 2013–14 did increase slightly, but still remained at just 1.59 percent of GDP, far less than the Gillard government’s long-term goal of 2.0 percent.

Because of those issues, the 2013 White Paper stopped using the expression of “Force 2030,” instead revising it to the pursuit of the so-called “Core Capabilities.” More concretely, the Core Capabilities incorporate the following four changes into the long-term force structure planning. First, the Core Capabilities concept abandoned some procurement plans of the Force 2030. That includes dropping

the reference, made by the previous White Paper, to the acquisition of air-to-land attack cruise missiles, as well as abandoning the possibility of pursuing the fourth *Hobart*-class Air Warfare Destroyer (AWD). Second, the Core Capabilities aims to reflect the confirmation of the delay in military hardware acquisition. Given the delay in the introduction of the advanced submarine, the useful lifetime of the currently owned *Collins*-class submarines has been extended by approximately seven years. Also, the plan to convert twelve of the twenty-four currently owned Boeing F/A-18F Super Hornets into Boeing EA-18G Growler electronic warfare aircraft has been cancelled. Instead it was decided to purchase twelve new EA-18Gs. The third element, then, was the decision to keep future options open. Of the one hundred F-35s originally slated for purchase, plans to purchase three-fourths, corresponding to three squadrons, have been maintained, with the purchase of the remaining one-fourth left for a later decision. The fourth and final element, then, is the increasing vagueness of expressions used. Particularly, the recent White Paper has employed vague expressions to refer to planned purchases of submarine capability requirements detailed in the 2009 White Paper.

Still, a number of prominent experts in Australia have critically pointed out that budget shortfalls still exist even with the change in policy from Force 2030 to Core Capabilities. Indeed, even though the 2013 White Paper made a partial revision of the Force 2030 policy, the fact cannot be dismissed, they argue, that it generally maintained the policy direction of introducing twelve advanced submarines, three *Hobart*-class destroyers and two *Canberra*-class landing helicopter docks (LHDs), as well as additionally deciding to purchase twelve new Growler aircraft. Meanwhile, ever since the May 2012 decision, with the defense budget drastically reduced, the question emerges of whether or not the required funding is secured to realize Core Capabilities.

The fourth reason for the emphasis on Defence Engagement, it can be pointed out, is that different leaders were responsible for drafting the two White Papers. Prime Minister Rudd (whose first government was from December 2007 to June 2010), who was the leader of the government at the time of the previous White Paper, was originally a diplomat, and as prime minister was heavily dedicated personally to foreign affairs and security matters. Meanwhile, Prime Minister Gillard, at the time of the 2013 White Paper, was a politician active in the fields of education and welfare, without a strong personal involvement in security matters as she publicly admitted. Nonetheless, further investigation must be done before

it can be ascertained to what extent differences in the political orientations and characters of the prime ministers influenced the contents of White Papers.

For those reasons, while the 2013 White Paper presented a certain degree of systematic thinking about reinforcing Defence Engagement, the discussion about Strategic Hedging became vaguer insofar as its issues were concerned. For example, the 2009 White Paper presented the Force 2030 plan, emphasizing that Australia would continue to maintain its Capability Advantage, whereas the 2013 White Paper does not necessarily state any clear ideas about whether and for how long Capability Advantage could be maintained through Core Capabilities. As a result, there was no clear indication about such matters as budget scale and the military hardware to be procured, as well as what could be achieved or not achieved with them, possibly leaving those as issues for the next White Paper to address.

Australia's Engagement with the Three Countries of Northeast Asia

In 2013, Australia succeeded in strengthening its respective bilateral relationships with the three Northeast Asian countries of Japan, China, and South Korea. In April of that year, Prime Minister Gillard met with Premier Li Keqiang in Beijing, where they agreed on the formation of a “strategic partnership,” centering on annual summits to be held between both countries’ prime ministers, as well as the institutionalization of foreign strategic dialogues, headed by the foreign ministers of both sides, and economic dialogues headed by both finance ministers. The 2013 White Paper also discusses how to strengthen exchanges and cooperation between the defense authorities of both sides as part of that strategic partnership. Specifically, it touches upon the drafting of the Australia-China Defence Engagement Action Plan already agreed on by the defense ministers of both countries in June 2012, aiming at deepened practical cooperation in such fields as HA/DR, maritime engagement, and peacekeeping cooperation, along with the institutionalization of working-level activities, academic exchanges and senior level dialogue.

Institutional development was seen in the relationship between Australia and South Korea, with both countries conducting their first 2+2 summit with each other in July 2013 in

Seoul. The expectations of Australia for strengthened relations with South Korea can be summed up in the following two points. The first has to do with potential conflicts in the Korean Peninsula. As one of the objectives of reinforcing Korean-Australian relations, the 2013 White Paper cites the need to “understand the likely international response to any contingency on the Korean Peninsula. Australia, as one of the participating states of the United Nations forces in South Korea and an ally of the United States, is believed to have growing interest in what sort of perceptions and policies South Korea has about security on the peninsula, now that the South Korean military is searching for the direction of the leading role it is to play during emergencies on the peninsula.

Another of Australia’s expectations is wider regional and global cooperation, going beyond the Korean Peninsula. Australia sees an opportunity of strengthening its cooperative relationship with South Korea as that country’s national strength grows and as it comes to play a role in various issues beyond the Korean Peninsula.

Unlike Australian-Chinese and Australian-South Korean relations, the institutionalization of defense cooperation between Japan and Australia has steadily advanced over the past six years. In 2013, both countries can be said to have succeeded in advancing the contents of exchanges and cooperative efforts, rather than their frameworks themselves. One of those was cooperation in capacity building support. From July to September 2013, an Australian Defence officer was seconded to the Capacity Building Office of the International Policy Division of the Japanese Ministry of Defense. In addition, one of the speakers dispatched to the “Long Reach” seminar on HA/DR, sponsored by the Australian Defence Force (ADF) and held in October in East Timor (Timor Leste), was the chief of the international defense cooperation room of the Japan Ground Self-Defense Force (JGDSF), representing the first time the two countries had realized cooperation in the field of capacity building support in a bilateral manner.

The second field in which developments occurred in 2013 was the exchange of army (and marine) land forces among the three countries of Japan, the United States, and Australia. In May, the inaugural exercise of Japanese, US, and Australian land forces—called “Southern Jackaroo”—was held in Melbourne and the Puckapunyal Army Base in Australia, at which training in artillery technology and in descending from buildings took place. In July, also, the first Japanese-US-Australian senior-level seminar was held, at which a joint statement was released by the JGDSF Chief, the US Pacific Army Commander, the US Pacific Marines Commander, and the Australian Army Chief calling for greater cooperation by the three countries in amphibious training, etc.

In addition, 2013 was a year in which the legal infrastructure created by Japan and Australia was actually put into use. In January and March 2013, respectively, the Japan-Australia Acquisition and Cross-Servicing Agreement (ACSA) and the Information Security Agreement (ISA) came into effect, with the exchange of diplomatic notes notifying of the completion of ratification procedures by both countries. Thanks to that, the ACSA was applied to allow the Japan Self-Defense Forces to provide the landing ship HMAS *Tobruk* with refueling support in December 2013, while both countries were engaged in disaster relief activities in the Philippines.

(3) The US-Australia Alliance: Advancing the “Force Posture Initiative”

The 2013 White Paper reaffirmed the Gillard Government’s support for the Obama administration’s rebalancing toward the Asia-Pacific as being in accord with Australia’s efforts to strengthen engagement policies particularly for the following two reasons. First, it stated that the success of the US rebalancing policy was particularly an important factor in the developments of the US-China relationship, the heart of the Indo-Pacific regional order. Second, the Defence White Paper positively noted that the US rebalancing would promote cooperative relations with countries in the region, recognizing the importance of fostering a sense of “community.” Such thrusts of the United States’ Asia policy is considered to be in close synthesis with Australia’s Defence Engagement in the Indo-Pacific.

From those perspectives, the Gillard government had actively cooperated with the Obama administration’s rebalancing policy. While many elements of US-Australia cooperation in this regard have already come to light, there are two notable items revealed in the 2013 White Paper that deserve special attention. The first relates to enhanced access by the US Air Force (USAF) to Northern Australia. Indeed the November 2011 announcement about US-Australia Force Posture initiative already disclosed the two countries’ intention to seek ways to enhance the USAF’s access to Australia. There had been no concrete follow up announcements until the 2013 White Paper referred to a possibility of joint funding for improving capacity and facilities at Royal Australian Air Force (RAAF) Base Darwin and RAAF Base Tindal in the Northern Territory of Australia.

Another update of the Force Posture Initiative that was emphasized in the White Paper was the renewed confirmation of the proposal to increase the scale of US Marines unit already rotated at Darwin (Marine Rotational Force—Darwin, or MRF-D) from the level of 200–250 troops, during 2012 and the April–September 2013 dry season, to around 1,100 troops. As far as that was concerned, it was announced in June 2013 that the number would be increased to 1,150 starting in 2014, of which some 130 would be stationed along with four transport helicopters at RAAF Base Darwin, and the rest deployed at the Australian Army’s Robertson Barracks. Additionally, between August and September 2013, Exercise Koolendong 13 took place at the Bradshaw Field Training Area (BFTA) with about 1,000 persons, including 150 persons already deployed from the MRF-D, as well as an additional 750 persons dispatched from the 31st Marine Expeditionary

Unit (MEU) and 150 persons from the 5th Battalion, the Royal Australian Regiment based at Robertson Barracks in Darwin. Also participating in those exercises were aircraft and land vehicles such as the US Marines F/A-18D Hornets, MV-22 Ospreys, and CH-53s, which meant a “proof of concept” in terms of preparation for the BFTA usage by the expanded MRF-D from 2014 onward. In addition, it was announced later, in October 2013, that contracts had been concluded with private construction firms to work on facilities expansion at the Robertson Barracks and RAAF Base Darwin in view of the 2014 MRF-D expansion, with the work slated to be finished by February 2014.

Also, besides the Force Posture Initiative, three developments were seen in the cooperative efforts within the US-Australia alliance in 2013, as follows. The first development was the embedding of the frigate HMAS *Sydney* in the 7th Fleet of the US Navy. It was the second embedding of an Australian Navy ship in the 7th Fleet since that of the frigate HMAS *Darwin* in 2011. Such acts of cooperation are effective not only for making the appeal—for both domestic and foreign audiences—that the political solidarity between the United States and Australia is strong, but also for contributing to the strengthening of the interoperability between the two militaries, as well as providing an opportunity for the Australian Navy, which is getting ready to introduce *Hobart*-class Aegis destroyers to gain important information and skills.

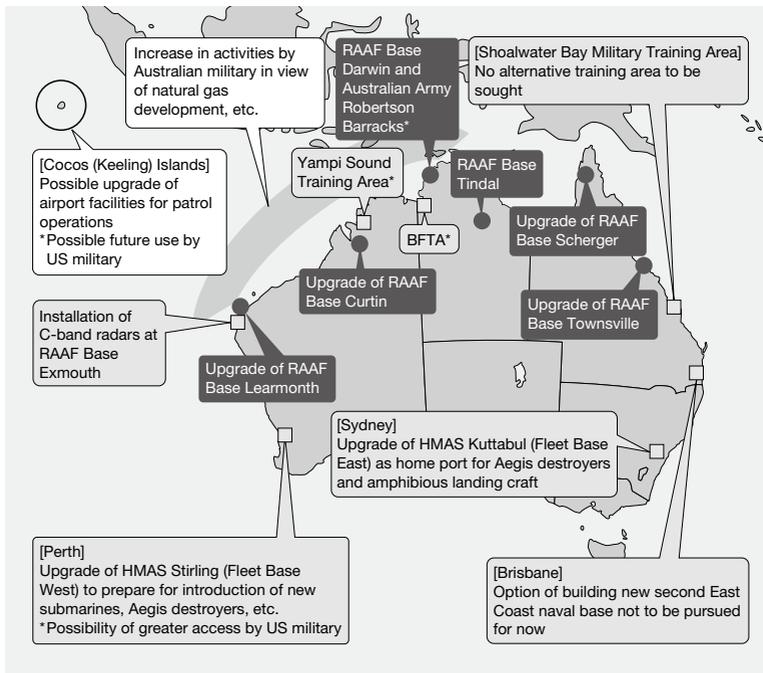
The second development was ratification of a treaty which facilitates the defense trade between the two countries. In May 2013, both the United States and Australia exchanged official documents ratifying the US-Australia Defense Trade Cooperation Treaty, concluded in 2007, completing the procedures for putting the treaty into effect. The treaty allows Australian and American companies participating in the so-called Approved Community to largely bypass the existing license and other processes imposed by the institutions such as International Traffic in Arms Regulations (ITAR) so that the defense trade between the two countries can be streamlined and enhanced (except for technologies related to weapons of mass destruction and those items subject to regulations under the Missile Technology Control Regime).

The third development involved specific items of cooperation related to outer space. As announced in the AUSMIN meetings of November 2012 and November 2013, the United States and Australia plan to set up a C-band radar space surveillance facility in Australia in 2014, as well as transferring a highly advanced

Australian Defence Posture Review

In May 2012, an external expert panel set up by the Australian Department of Defence to look into the Australia's Defence Posture Review presented its final report to the minister for defense. A further internal review was conducted by the government of the proposals made by the report regarding the Posture Review, with the details released in May 2013 through the 2013 Defence White Paper and the accompanying press release issued jointly by the prime minister and minister for defense, entitled, "2013 Defence White Paper: Australian Defence Force Posture." The above figure maps some of the major force posture review items described in those documents. For a more detailed background to the work on the Posture Review, please refer to Chapter 2 of *East Asian Strategic Review 2013*.

Figure 5.1. Posture Review of Australian military



Note: Those sites marked with an asterisk (*) in the figure above represent places where the United States and Australia may cooperate in the future.

Sources: Compiled from the 2013 Defence White Paper as well as a press release issued on the same day (May 3, 2013) by the Australian prime minister and defense minister, entitled "2013 Defence White Paper: Australian Defence Force Posture"

space surveillance telescope from the United States to Australia, with plans to begin service by 2016. Both cooperative efforts will fill in the gaps that existed in the southern hemisphere of the US space surveillance network, and are positioned to contribute to the avoidance of accidental collisions between satellites and space debris, as well as the tracking of launches into space from Asia. Also, in April 2013, the Space Situational Awareness Agreement was concluded between the United States and Australia, streamlining the process needed when specific requests are made by Australia for space data gathered at the Joint Operation Center run by the US Strategic Command.

3. Unstable Domestic Politics and Leadership Changes

(1) Rise and Fall of the Second Rudd Government

On June 26, 2013, the head of the Labor Party, Prime Minister Gillard, announced that a leadership ballot would be held on the same day at 7:00 p.m., and Member of Parliament Kevin Rudd, the former prime minister, declared his intention to run. Prime Minister Gillard's aim in holding the leadership ballot was to put an end to the persistent political rivalry with former Prime Minister Rudd over who should be the leader of the Labor Party and thus Prime Minister, allowing the party to concentrate its energies on the campaign for the upcoming general election of September 2013, as well as attempting to forestall efforts by the Rudd camp to gather support from within the party.

As a matter of fact, the political battle between the two sides had continued to be a problem besetting the Labor Party government over the previous several years. It had begun with the forcing out of the then-Prime Minister Rudd from his post in June 2010. Later, in February 2012, Rudd, who had returned to the spotlight as foreign minister, resigned his post because of political confrontations with Prime Minister Gillard and influential cabinet members, and in the leadership ballot held immediately thereafter, Gillard prevailed over Rudd. Also, another leadership ballot was held in March 2013 on account of the political rivalry between the two, but Rudd decided not to run, leaving Gillard to win the vote uncontested.

After that, the June leadership ballot was held, with both candidates pledging to withdraw from politics completely if he or she were defeated, and this time Rudd was the victor (by fifty-seven to forty-five). One reason for the victory of the Rudd camp, despite having repeatedly been defeated in the past, was the

looming general election in September. According to several opinion polls at the time, the Labor Party was lagging significantly behind the opposition Coalition. In such a situation Rudd was seen to have maintained high popularity nationwide. In fact, an influential parliament member, Bill Shorten, Minister for Employment and Workplace Relations, announced shortly before the vote that he would switch from the Gillard camp to the Rudd camp, also citing as his reason the logic of who would be more likely to lead the Labor Party to victory in the general election.

On June 27, the day after the leadership ballot, Rudd was sworn in as prime minister before Governor General Quentin Bryce, formally launching the second Rudd cabinet. Needless to say, after the change in prime ministers, it was widely discussed in Australia to what extent and in what ways Prime Minister Rudd would keep or change the policies of former Prime Minister Gillard. In particular, this question loomed larger given that Rudd had been prime minister who created the 2009 White Paper, with its emphasis on the Strategic Hedge. Moreover, given his reputation as a politician with personal thoughts about and a strong interest in security issues, on account of his diplomatic background, Australian security experts were watching to see what kind of diplomatic and defense policies the new Rudd government would develop.

In the past, Prime Minister Rudd had quite systematically presented his personal thinking on security matters in speeches before Australian and foreign audiences, as well as on op-ed pages. It should be noted first that his basic strategic environment perception shared many points in common with the thinking demonstrated by the Gillard government in the White Paper and elsewhere, to a large extent, such as pointing out that the global strategic center of weight was shifting to the Asia-Pacific (or the “Indo-Pacific”) because of rapid economic growth in the region, or the fact that the near future would see a historical turning point in which the scale of China’s economy would surpass that of the United States.

Based on the aforementioned perceptions of the status quo, Prime Minister Rudd emphasized the importance of introducing two mechanisms, described below, to Asia in the future. One of those was illustrated in his essay “Beyond the Pivot” in *Foreign Affairs*. He said that it was important for the United States to demonstrate its hard power vis-à-vis the rising China, affirmatively evaluating the “pivot” of the Obama administration as a correct first step. Building on such “realist” foundation cemented by the pivot, he argued that it was important to further enhance a US-China relationship by holding frequent summit meetings between the leaders of the

two countries, as well as establishing contact persons for communication between the two countries' leaders, issuing a new bilateral communiqué incorporating China's growing role and the enduring power of the United States, and detailing a US-China cooperation roadmap for the next five years.

The second mechanism mentioned by Prime Minister Rudd is the framework of what is called the "Pax Pacifica." While citing the importance of the US-China relationship, Prime Minister Rudd also said that no "G-2" arrangement would function in Asia, stressing the need to reinforce a wider "regional system" in which other countries in the region participated, including India, Indonesia, Japan, ASEAN, and Australia, as well as to construct an "Organisation for Security Cooperation in Asia" that would serve to function as an order based on common rules and as a "shock absorber" for crises. To that end, he talked about the importance of boosting the activities of such mechanisms as the EAS and ADMM Plus.

In addition, Prime Minister Rudd said that the carrying out of hedging by all the countries involved was a natural and prudent action in case the above structures did not work well. Consequently, from that perspective, it is a matter of interest to imagine how Prime Minister Rudd, who stressed the Strategic Hedge, evaluated the deep cuts in defense expenses made by the Gillard government.

As seen above, one can see that while Prime Minister Rudd did share the perception of current affairs and the stance of the Gillard government emphasizing Asia, his policy vision differed slightly in terms of expectations for multinational institutions and his emphasis on the Strategic Hedge. Even so, he was not able to systematically lay forth his own security policy ideas as the official policies of the government, nor was he able to realize them. That was because the Labor Party, led by Prime Minister Rudd, was defeated on September 7 in the general election, just two months after the launch of his second term, giving it the shortest tenure of any government in Australia in recent decades.

(2) Inauguration of the Abbott Coalition Government

On September 18, 2013, the leader of Australia's Liberal Party, Tony Abbott, and his candidates for cabinet were sworn in by Governor General Bryce, formally launching the Abbott Coalition government. Abbott, the new prime minister, was a representative from Sydney, with experience in the previous Coalition government under John Howard as secretary and the minister related

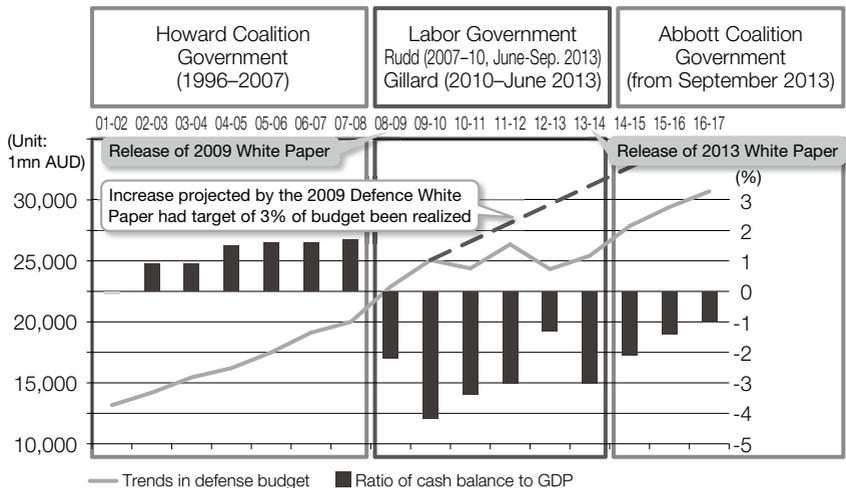
to Education, Employment and Workplace Relations. Also, he selected Representative Julie Bishop—deputy leader of the Liberal Party and a lawyer—as his minister for foreign affairs, and David Johnston—also a lawyer and who can speak Japanese to some extent—as his defense minister. Both ministers are from election districts in Western Australia.

The new Abbott government said that it would make a “first-principles” overhaul of the country’s defense policies, including the drafting of a new Defence White Paper within eighteen months of the new administration’s inauguration. An analysis follows below of his campaign pledges and the post-inauguration positions of his new government in three areas already discussed, namely: (1) capability plans, (2) defense organizations, and (3) reinforcing engagement with Asia.

The first area of review is the development and acquisition of military capabilities. To state the conclusion first, the Abbott government has, at the time of this writing, shown few indications to change the procurement items that it inherited from the Labor Party government. For instance, the highlight of the new procurement planned by the Labor Party government was the future submarine project known as “Sea 1000,” and in the lead up to the election the Coalition basically adopted the position to buy twelve new such submarines. In addition, such other big-ticket items as AWDs or LHDs were originally decided upon by the previous Coalition government under Prime Minister Howard, and the Abbott government also inherited these plans. Also, its position has been confirmed of buying initially seventy-five new F-35 fighters, followed by another twenty-five later on, for an eventual total of some one hundred such planes to be purchased.

While both the ruling and opposition parties were in general agreement about major procurement items, as seen above, an important point of debate was the defense budget that would fund such capabilities building. As a matter of fact, the Coalition, ever since it was in opposition, consistently criticized the defense budget cuts of the previous Labor Party government. Still, while the Abbott government did not make any clear declaration whether it really would increase

Figure 5.2. Time frame by government



Sources: Compiled from *The Cost of Defence: ASPI Defence Budget Brief 2013-2014*, Canberra: ASPI, May 2013, as well as *The Mid-Year Economic and Fiscal Outlook 2013*, Department of the Treasury, December 2013.

the defense budget, a look at the pledges of the government, as well as pre-election statements, shows just a vague policy direction, such as the following: (1) further budget cuts will not be made, (2) the defense budget will be increased three percent annually as long as the government’s financial situation permits, and (3) the government would “aspire” to the goal of boosting the defense budget to two percent of GDP within a decade if economic conditions permit. Underlying such cautious expressions are such indefinite variables as future tax revenues, the key to defense budget increases, as well as the success of spending cuts in other areas of the budget. Indeed, according to the 2013 Mid-Year Economic and Fiscal Outlook, announced by Treasurer Joe Hockey in December 2013, tough budget conditions are set to persist, with deficits projected over the next decade through FY 2023–24 if no measures are taken at all to rectify the government’s finances. Treasurer Hockey has said that “all options are on the table,” suggesting the possibility that drastic federal budget cuts might be entertained in the future, so it remains to be seen whether the Abbott government will decide to cut the defense budget, or whether it will be able to maintain current levels or increase it. The first indication of its direction will be the outcome of the FY 2014–15 budget, to be announced in May 2014.

The second area of review was the structural reform of Australian Defence Organisation (ADO). In December 2013, Minister for Defence David Johnston gave a speech at a national security dinner sponsored by the Australian Strategic Policy Institute, which was the first time he spoke on the subject of comprehensive defense policies since taking office. In his speech, while touching upon the reform of the Defence Materiel Organisation (DMO), the organization responsible for procurement, he mentioned the possibility of reducing the staff size of the DMO and boosting the use of outsourcing. Also, Secretary of the Department of Defence Dennis Richardson has publicly commented on the direction of the structural reform of the ADO, speaking about the necessity of boosting the capacity for policymaking, as the ADO has primarily focused on military operations for a long time since the mission to Afghanistan in 2001. He also expressed a sense of crisis about the lack of awareness of structural reform. Based on that perception of the problems, the Abbott government is believed to have initiated a review of ADO structural reform alongside with or as a part of the 2015 Defence White Paper process.

The third area of review, then, was engagement with Asia. Prime Minister Abbott has pointed out the “shift” in the “global centre of economic gravity” to Asia as well as the rise of Indonesia, and also referred to changes in the dynamics between the United States and China in speeches delivered as an opposition leader, so he clearly perceives the three shifts in power discussed in the first section of this chapter. Additionally, a campaign pledge made by the Coalition concerning foreign policy described Asia as the “Asia-Pacific-Indian Ocean Region,” largely overlapping with the “Indo-Pacific” perception of the previous Labor Party government. Also, Minister for Defence Johnston has suggested that a focus will be further placed upon maritime security and sea-lane issues, in view of the importance of trade relations with such regional countries as China, Japan, and South Korea, among others, now that operational withdrawals are proceeding in Afghanistan. He has thus emphasized the need for defense policy to be outward oriented, strengthening constructive engagement with the countries of Asia.

Based on these indications, one can conclude that the Abbott government continues to strengthen relations with Asian countries, inheriting and building on the successes of the previous Labor Party government. Already such continuities have been confirmed as a reinforcement of relations with South Korea, such as the holding of an Australian-South Korean “2+2” meeting in July 2013, as well as the

continued promotion of a strategic partnership between Australia and China, including plans for a visit to China by a delegation led by Prime Minister Abbott, to include business and local government leaders. The Abbott government has also promoted the Force Posture Initiative with the United States, which is progressing with its rebalancing toward the Asia-Pacific. In addition, Prime Minister Abbott has indicated that his first overseas visits will not be to such countries as the United States or the United Kingdom, but to Asian countries such as Indonesia, Japan, and China, confirming his stance of treating Australia's engagement with the region as a key priority. In light of Abbot Government's manifested emphasis on engagement with regional countries both in words and deeds, it is clear that both Labor and Coalition are in a "bipartisan agreement" about the growing importance of the Indo-Pacific or the "Asia-Pacific-Indian Ocean," while emphasizing the necessity of boosting Australia's regional engagement accordingly.

Nonetheless, despite such a shared "bipartisan consensus," it should be noted that the Abbott government has been trying to introduce its colors and tastes into Australia's Asia policy. One salient feature of that is the Abbott government's orientation of sending a clear message to China. On October 4, in a joint statement made at a meeting of the Trilateral Strategic Dialogue (TSD) among the foreign ministers of Japan, the United States, and Australia—held for the first time in four years—as well in the joint communiqué produced by the AUSMIN held on November 20, the Abbott government clearly expressed its position opposing any unilateral or coercive actions that change the status quo in the East China Sea. Also, when China declared its establishment of an "East China Sea Air Defense Identification Zone," Australian Foreign Minister Bishop expressed "concern about China's sudden announcement," confirming once again the government's position "opposing coercive or unilateral actions to change the status quo," and summoned the Chinese ambassador to the offices of the Department of Foreign Affairs and Trade to relay that concern. Of course, the declarations and statements of the Abbott government concerning the East China Sea do not necessarily deviate from Canberra's long-time emphasis on the importance of basic principles such as the freedom of navigation in the East China Sea and South China Sea, the avoidance of instability, and support of the role played by its ally, the United States. On the other hand, as the phrase of "opposing coercive or unilateral actions to change the status quo in the East China Sea" was an expression not seen during

the era of the previous Labor Party administration, it is clear that the Abbott government stepped up the way that Australia signals its concerns towards China.

The second main characteristic of the Abbott government's diplomacy is its rhetoric emphasizing the closeness with Japan. Since the inauguration of the government, Prime Minister Abbott and his cabinet members have both described Japan, an ally of the United States, as Australia's "best friend in Asia," and have continued to make statements putting the highest emphasis on Japanese-Australian relations. On October 9, a summit was held between Japanese Prime Minister Shinzo Abe and Prime Minister Abbott during their visit to Brunei to participate in a meeting related to ASEAN. Not only did they confirm the policy of continuing to reinforce the "strategic partnership" between the two countries, including defense cooperation. Prime Minister Abbott also extended an invitation to Prime Minister Abe to visit Australia at his earliest convenience and to make a speech at the Australian parliament. Also, with the Abe government making various reviews of its defense policies, Foreign Minister Bishop, Defence Minister Johnston and others have clearly expressed their position welcoming the defense policies of the Japanese government becoming more normal.

Indeed as of the end of 2013, it remains to be seen in what concrete ways the Abbott Government's rhetorical emphasis on Japan will lead to boosting Japan-Australia defense cooperation in practice. However, at least one cannot underemphasize the significance of Australia's explicit and repeated commitment to the strategic partnership with Japan at such an early stage of the new government. Also, the shift from the previous government—which did not enjoy stable domestic political ground due to party infighting and held only a minority of seats in the House of Representatives—to the current government led by Prime Minister Abbott, whose party has a clear majority in the House of Representatives, and who has demonstrated its ability to stay as a leader of the Coalition for four years, in the same way that the second Abe government has eliminated the gridlock between the Lower and Upper Houses in the Japanese Diet, may serve as the political foundation for the stable development of Japanese-Australian relations moving forward.

Why, then, has the Abbott government continued to send China more forthright messages, as shown above, and what sort of security perspective does it have when it states in such a definitive manner that Japan is its best friend in the region? The musings of Andrew Shearer, a former diplomat who has assumed the position of senior advisor to the new prime minister, and who used to serve as a foreign affairs

advisor to the Howard government, provide clues about the Abbott government's underlying thinking. Put simply, the core of his declarations is the thinking that Australia's alliance and cooperation with the United States ought to be strengthened so as to deal with the rise of China. In that context, he believes that Australia should not fall into self-censorship, that is, restraining its comments or actions out of concern for China's reaction, and has repeatedly pointed out that "we also

need to be very clear to Beijing that we are not going to compromise on our core strategic interests and our values." Moreover, he has emphasized that it is important with "shifting global power balances" such as the rise of China, and with the United States facing various challenges, to get the cooperation of not just allies but also "like-minded partners" such as Japan and India. Looking at the recent actions of the Abbott government from that Shearer's perspective, one can interpret behind the Abbott government's emphasis on Japan as the best friend and its clear messaging with regard to situations in East China sea is its aspiration to even more closely cooperate and coordinate with like-minded countries, especially the United States, at the time of the regional power shifts including the rise of China. If so, one critical factor which will determine upon whether or not the Abbott government will be able to maintain such policy orientation is obviously the United States' Asia policy, namely, how the US roles and presence in Asia, including in East China Sea, will evolve into the future.

China responded to the stance of the Abbott government in many ways. Regarding Foreign Minister Bishop's statement on the "East China Sea Air Defense Identification Zone," Chinese Foreign Ministry spokesman Qin Gang criticized it as mistaken and irresponsible. Also, at the Australia-China Defence Strategic Dialogue held in Beijing the following December between the foreign ministries of both countries, Chinese Foreign Minister Wang Yi directly condemned the Australian statement as having "jeopardized mutual trust." In November 2013, the third Australia-China Forum was held—a Track 1.5

conference with the participation of leaders from government, business, and academia, including former Foreign Minister Li Zhaoxing. According to conference attendees, representatives from the Chinese side said at the outset of the meeting that the United States had frequently changed its position, also pointing out that even though the United States may try to get Australia to apply pressure on China, Australia “ought to think carefully” about it, thus putting pressure on the Abbott government’s position of further strengthening its cooperative relationship with the United States. Whether or not the Abbott government will consistently be able to maintain its stance in the face of such pressure and criticism from its biggest trading partner, China, is a matter worthy of continuing attention.

(3) Unstable Relations with Indonesia: The First Test of Abbott Diplomacy

The first issue facing Abbott’s Asian diplomacy was relations with Indonesia. The Coalition had publicly pledged certain policies reinforcing additional measures against asylum seekers aiming eventually for Australia via Indonesia, but according to the Australian media, the Indonesian government expressed concerns about three of the Coalition’s asylum seeker policy proposals, as follows: (1) the policy of having Australian Navy vessels physically turning back boats with asylum seekers aboard, (2) the program to purchase boats in Indonesia that were feared to be used for the transport of asylum seekers, (3) the policy to step up intelligence activities in Indonesia. As a matter of fact, Indonesian Foreign Minister Dr. Marty Natalegawa repeatedly voiced concerns about the Coalition’s policy, using the expression that he was opposed to policies infringing upon Indonesia’s sovereignty. In that way, the Abbott government was faced with the need to smoothly handle two problems at the same time shortly after its inauguration: maintaining relations with its giant neighbor to the north, which is steadily gaining in national power, and at the same time carrying out effective policies and fulfilling campaign pledges to deal with asylum seekers, an issue of high public concern.

On September 30, Prime Minister Abbott visited Indonesia—making his first trip abroad as prime minister there, as promised during an election campaign—and met with President Susilo Bambang Yudhoyono. The summit was successful to a certain degree, with Abbott saying that “Australia’s got total respect for

Indonesia's sovereignty," and getting President Yudhoyono to issue a policy reinforcing bilateral cooperation on the issue. The details of the summit meeting have not been made public, so it is uncertain whether some compromise was made between the two leaders, or whether understanding had partially advanced regarding the two countries' positions. While concrete details about cooperation over asylum seeker problems were left to bilateral consultations later on, it happened at that time that the possibility of the two countries falling into a critical diplomatic dispute over the issue was averted, at least, for the time being.

However, a new problem emerged between the two countries with reports by the Australian media, including the Australian Broadcasting Corporation (ABC), about the so-called telephone wiretapping problem. Those reports publicized internal documents taken from the US National Security Agency (NSA) by Edward Snowden, the former NSA employee now in Russia, showing that Australian government intelligence agencies had wiretapped the phone conversations of President Yudhoyono, his wife, and cabinet members. The Indonesian government immediately recalled its ambassador in Australia, also making clear its position seeking a full explanation as well as an apology. Regarding that, the Abbott government repeated its position, in principle, of neither confirming nor denying matters relating to intelligence, as well as demonstrating a position of not responding to Indonesian demands for an apology. In response to that, the Indonesian government announced that it would halt bilateral military exchanges and intelligence cooperation with Australia starting on November 20. As a matter of fact, Exercise Dawn Komodo, being carried out at that time by special forces of both countries in West Java Province, was called off, as was Exercise Elang AusIndo, being conducted by the two countries' air forces in Darwin.

Thus, the people smuggling and wiretapping problems caused Australian-Indonesian relations to enter their worst phase since the problem of the independence of East Timor (Timor Leste) broke out in 1999. Nonetheless, both sides, at least, have not abandoned their position affirming the importance of the bilateral relationship, and the two countries have already embarked on specific normalization efforts. On December 5, Australian Foreign Minister Bishop met with Indonesian Foreign Minister Natalegawa, with the two countries agreeing upon a six-step roadmap toward the normalization of relations. The six-step roadmap includes the necessary steps for the normalization of relations as

proposed by President Yudhoyono on November 26, as well as their sequence. The first step would be the establishment of direct dialogue between representatives of both governments concerning necessary matters, while the second step would involve the drawing up of a memorandum aiming at the drafting of a “code of conduct” reflecting Australia’s commitment not to undertake activities in the future “that would disadvantage or interfere with Indonesia’s interests,” as well as the initiation of the necessary discussions. The third step, then, would be an assessment by President Yudhoyono of the aforementioned code of conduct, and the fourth step would entail an event, attended by the leaders of both countries, approving it. The fifth step, meanwhile, would be the implementation of the code of conduct, while the sixth, and final, step would be the restoration of relations of trust between the two countries. The meeting between the two countries’ foreign ministers on December 5 was deemed to constitute the first step. With Australia’s agreement to the six-step roadmap, along with its promise not to engage in activities violating Indonesia’s interests, and its expression of regret at the “hurt” to Indonesia caused by the Snowden revelations, President Yudhoyono is reported to have “expressed his pleasure.” Foreign Minister Natalegawa has stated that the reason for the pursuit of common understanding and the restoration of trust as illustrated above was the building of the necessary foundation in which relations between the two countries would not be affected even if Snowden continued to make revelations in the future about intelligence activities.

