

Connectivity and Regional Security: Implications for Australia and Japan

8th Annual Australia-Japan Dialogue

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POLICY BRIEF

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ABOUT THE DIALOGUE

The Australia-Japan Dialogue is an annual 1.5 Track event first hosted by the Griffith Asia Institute in 2011. Since then the Dialogue has been convened each year with generous support from both the Japan Foundation and the Australia-Japan Foundation and with the participation of high-level representatives from the Japan Ministry of Foreign Affairs and the Australian Department of Foreign Affairs and Trade.

ABOUT GRIFFITH ASIA INSTITUTE

The Griffith Asia Institute (GAI) is an internationally recognised research centre in the Griffith Business School. We reflect Griffith University's longstanding commitment and future aspirations for the study of and engagement with nations of Asia and the Pacific.

At GAI, our vision is to be the informed voice leading Australia's strategic engagement in the Asia Pacific—cultivating the knowledge, capabilities and connections that will inform and enrich Australia's Asia-Pacific future.

We do this by: i) conducting and supporting excellent and relevant research on the politics, security, economies and development of the Asia-Pacific region; ii) facilitating high level dialogues and partnerships for policy impact in the region; iii) leading and informing public debate on Australia's place in the Asia Pacific; and iv) shaping the next generation of Asia-Pacific leaders through positive learning experiences in the region.

Executive summary

Across the Indo-Pacific, great and middle power states are investing in major infrastructure development schemes intended to enhance connectivity, boost economic development and growth, and manage security challenges. These include China's Belt and Road Initiative (BRI), the India and Japan-backed Asia-Africa Growth Corridor, and a yet to be named trilateral project announced by Australia, Japan, and the US in July 2018.

These connectivity initiatives are critically important for trading states like Australia and Japan whose prosperity and security heavily depend on freedom of navigation, open markets, and in particular a stable international and regional environment

Participants at the Griffith Asia Institute 2018 Australia-Japan Dialogue, hosted by Japan's National Defense Academy, discussed the significance of greater regional connectivity for Australia and Japan and the implications of China's Belt and Road Initiative (BRI). The Dialogue brought together analysts and practitioners from Australia and Japan to investigate:

1. The security challenges the BRI presents and alternative approaches to enhancing regional connectivity.
2. The ways in which Australia and Japan can help develop and maintain an open, rules-based Indo-Pacific order by working together on regional infrastructure development and promoting multi and mini-lateral cooperation on connectivity in the Indo-Pacific with likeminded governments.

The major recommendations for Australian and Japanese policy makers on how best to manage both countries' shared concerns and interests concerning greater regional connectivity and Beijing's BRI ambitions that emerged from the discussions are as follows:

1. Fundamental differences in motivation, values, and purpose between President Xi's BRI vision and the status quo preferences shared by Australia and Japan should both limit the scope and depth of Australian and Japanese engagement in BRI and serve to encourage the creation of alternative connectivity models.

2. BRI's huge scale, the likelihood of China experiencing further problems and controversy over its projects, and current trade tensions with the US suggest that Beijing will likely continue to seek some level of support from regional actors like Australia and in particular Japan. However, the extent to which Beijing is willing to compromise on implementation standards and investment conditions remains unclear.
3. Australia and Japan should further broaden their relationship to promote multi and mini-lateral alternatives to President Xi's BRI, particularly during a time of ongoing uncertainty over US intentions and commitment to the region.
4. Encouraging India to work more closely together with Canberra, Tokyo, and Washington on infrastructure and investment in the Indo-Pacific would offer all four nations an opportunity to:
 - i) ensure that enhanced connectivity in the region occurs within the rules, norms, and principles of the existing rules based, liberal order;
 - ii) establish a strong political and economic foundation for Indo-Pacific engagement and cooperation; and
 - iii) provide an important non-military foundation for quadrilateral cooperation between them.

The security-connectivity nexus in Australia-Japan relations

The wide-ranging 2007 Joint Declaration on Security Cooperation laid the initial groundwork for the expansion of Australia-Japan security relations. It envisaged exchanges of military personnel, joint exercises, and cooperation in a number of new areas. But since then much more has been constructed. The most recent Foreign and Defence Ministers 2+2 meeting affirmed that both countries are committed not just to safeguarding a 'free, open, stable and prosperous Indo-Pacific' but also to collaborative efforts with the United States to compete with China's Belt and Road Initiative (BRI) and fund infrastructure, and to more complex joint exercises, including in air defence and anti-submarine warfare. In 2017 and 2018, Australian and Japanese troops were also involved in major multilateral exercises, notably Talisman Sabre and the Philippines-based Balikatan.

These developments have occurred as Canberra and Tokyo's perceptions of the security challenges faced by the Indo-Pacific continue to converge.

Both are anxious about Beijing's behaviour in the South China Sea, its military and diplomatic push into the Indian Ocean, and the potentially adverse consequences of its BRI project for regional economies and societies. Both are worried too – albeit in private – about the impact of the Trump administration's trade disputes with China and the possible effects of a shift from multilateral frameworks for trade and investment to more transactional, bilateral deals.

Together, these sets of concerns have accelerated the deepening of ties, despite the very different circumstances of the two countries, especially in terms of their relations with Beijing. To be sure, Japan's predicament is, as one commentator recently noted, 'acute'. Japan's geographical closeness to China, long running political tensions, and a still escalating dispute over the Senkaku Islands (claimed by Beijing as the Diaoyu Islands) has led to regular Chinese military intrusions into territorial waters and airspace long claimed and administered by Japan.

Canberra's perceptions of China's regional posturing, in contrast, have been moderated by its physical distance from Northeast Asia and Australia's high level of export dependency on Chinese markets. But

despite these significant differences, the so-called 'China gap' in perceptions between the two 'strategic partners' is now closing even more quickly in the wake of Beijing's covert interference in Australia's domestic politics, China's ongoing attempts to build influence and leverage among Pacific states (in particular PNG), and shared concern over the strategic ambitions underpinning President's Xi's BRI vision.

Japanese Prime Minister Shinzo Abe's visit to Darwin in late 2018 was rightly billed as historic and, as Scott Morrison put it, 'deeply symbolic'. It also delivered some substance, with an important MoU on infrastructure funding announced and a commitment made to deepening cooperation on maritime security. But the Abe visit did not see the signing of the long awaited Reciprocal Access Agreement (RAA) that some analysts hoped might occur.

However, the growing tensions and uncertainties caused by Beijing's challenge to the region's political order, and Washington's ambiguous commitment to maintaining it, suggest there is good reason to believe this agreement, and additional cooperation measures, will be concluded sooner rather than later.

Indeed, there is, as Tokyo and Canberra have increasingly realised, much to be gained not only from stronger defence and security ties in a fluid regional landscape but also by looking at security in ways that go beyond only their immediate bilateral concerns. Policy makers in both countries are very much aware of why it is manifestly in the interests of Australia and Japan – as well as India, South

Korea, Taiwan, and most Southeast Asian states – to ensure that sea lanes remain open, territorial aggrandisement is not accepted, and fishing and other rights are maintained. The work already being done – unilaterally by Japan and the US, and in collaboration with other states, including Australia – to provide Southeast Asian states with the capacity to effectively monitor their territorial waters and address illegal fishing as well as other criminal activities is a good start. Dialogue participants stressed, however, that much more must follow if maritime security and regional stability is to be upheld and enhanced.

In addition to enhancing military cooperation capabilities, the bi-lateral relationship also offers significant scope for further collaboration on regional infrastructure and connectivity. Japan has almost half a century of experience in delivering high quality aid and development assistance, blending public and private financing and expertise, across the Indo-Pacific, especially in Southeast Asia, on which Australia should draw. Such collaboration would help Canberra to begin to address one of Australia's biggest challenges: directing a significant proportion of its capital, especially in superannuation funds, into the region and away from traditional European and North American investment. Doing so would also help to ensure robust competition for China's BRI projects, helping to keep standards high and regional growth sustainable.

Multi and mini lateral connectivity opportunities

Under Xi Jinping, China is widely considered to be taking a more assertive approach to the region and to its territorial and status claims. In response, states across the Indo-Pacific are recalibrating their China policies, and in some cases strengthening their militaries and deepening strategic partnerships with like-minded states.

It is now increasingly clear, Dialogue participants generally agreed, that Australia and Japan are externally balancing against China's plans to build further strategic advantage in the region, particularly in the context of Beijing's ambitious, and increasingly controversial, BRI. But balancing behaviour, it was further noted, does not exclude engagement, so in the case of President Xi's BRI aspirations, some degree of cooperation from Tokyo and Canberra on the BRI certainly should not be off the table. But participants also agreed that Australian and Japanese participation in BRI projects without agreement from China on standards for transparency, loan repayment, environmental impact, and other conditions would risk disputes and unintended outcomes that will harm rather than improve Australia and Japan's bi-lateral relations with Beijing.

Any plans for Japanese and Australian participation in the BRI as it currently stands, therefore, should take account of the BRI's compatibility with Canberra and Tokyo's broader goal of developing a "rules-based" and "free and open" Indo-Pacific regional order and the values it is based on. And Prime Minister Abe's more recent willingness to cooperate with Beijing on some infrastructure projects appears to reflect this approach.

The Abe government's BRI engagement is informed not only by a commitment to ensuring Japan maintains a lead role in regional development and Tokyo's ongoing concern over the direction of US policy, but also by an intention to shape how Beijing implements the BRI. Japan reportedly will be pushing for new guidelines for infrastructure investment at this year's G-20 Summit aimed at ensuring projects are transparent and sustainable. The extent to which Tokyo will be able to influence Beijing on infrastructure investment, however, remains to be seen.

Indeed, the current indications are that President Xi's BRI is intended to directly compete against the type of regional order supported by Australia and Japan and significantly increase China's strategic influence and leverage throughout the Indo-Pacific region. Both countries are already anxious about Beijing's behaviour in the South China Sea, its military and diplomatic push into the Indian and Pacific Oceans, and the potentially adverse consequences of its BRI projects for regional economies and societies. Both are worried too – albeit in private – about the impact of the Trump administration's trade war against China and the possible effects of a shift from multilateral frameworks for trade and investment to more transactional, bilateral deals.

Australia and Japan have demonstrated their determination to balance Chinese influence in the Asia-Pacific with their own development aid commitments, growing bi-lateral cooperation, and the July 2018 agreement reached with the Trump administration to cooperate on infrastructure development in the region. But the strength of the US commitment to this agreement remains unclear given president Trump's unpredictability, US debt levels, and the pressing need for domestic US infrastructure renewal. As a major provider of development aid and infrastructure in the Asia-Pacific, Japan, with its resources, reputation, and long experience with regional development assistance, is therefore well placed to take the lead in developing alternatives to the BRI with Australia, the US, and also India.

Given that China's BRI activities stretch well beyond the Asia-Pacific to include the Indo-Pacific and Africa, India's cooperation in providing viable infrastructure development for the broader region is critical. Japan and India share similar strategic visions for the Indo-Pacific as demonstrated by Prime Minister Abe's 'Free and Open Indo-Pacific Strategy' and Prime Minister Modi's ambition of providing 'Security and Growth for All in the Region', both of which draw on the core principles of the existing rules-based order in response to China's growing influence. Mounting concern in Delhi and Tokyo over the BRI's growing reach in the Indo-Pacific and beyond led to the launch of the jointly run 'Asia-Africa Growth Corridor' in 2017, an initiative directly aimed at countering China's increasing investment and influence among African states.

Policy recommendations:

1. A major obstacle to cooperation with China on its BRI ambitions is that the goals motivating Beijing's desire for greater regional connectivity and those shaping Canberra and Tokyo's interests remain very different. China's intention to supplant the existing liberal order with a Sino-Centric order more compatible with the Chinese Communist Party's (CCP) values and priorities is unlikely to change under President Xi. These fundamental differences in motivation, values, and purpose should not only limit the scope and depth of Australian and Japanese engagement in BRI but also encourage the creation of alternative connectivity schemes.
2. The various problems that have emerged to date with China's implementation of its BRI plans, in particular non-completion of projects and debt traps, are important examples of why Canberra and Tokyo should remain very cautious about engagement in BRI. BRI's huge scale, the likelihood of China experiencing further problems and controversy over its projects, and current trade tensions with the US suggest that Beijing will likely continue to seek some level of support from regional actors like Australia and in particular Japan. However, the extent to which Beijing is willing to compromise on implementation standards and loan conditions remains unclear.
3. Australia-Japan security relations and the bilateral relationship more broadly have continued to deepen and are, as all participants agreed, the strongest they have ever been.

There is, furthermore, no reason to suggest the bi-lateral relationship will not continue to strengthen and grow. Australia and Japan should further broaden the scope of their relationship by promoting and investing in multi and mini-lateral alternatives to President Xi's BRI, particularly during a time of ongoing uncertainty over US intentions and commitment to the region.

4. India shares with Australia, Japan, and the US many of the same concerns about the implications of, and motivations behind, Beijing's promotion of greater regional connectivity, but so far has struggled to compete with the BRI. Both mini and multilateral engagement with India on regional infrastructure is essential to ensuring regional development occurs in line with the standards and interests held by all four countries.
5. Encouraging India to work more closely together with Canberra, Tokyo, and Washington on infrastructure and regional investment would offer all four nations an opportunity to:
 - i) ensure that enhanced connectivity in the Indo-Pacific occurs within the rules and norms of the existing rules-based order;
 - ii) establish a strong political and economic foundation for Indo-Pacific engagement and cooperation; and
 - iii) provide an important non-military foundation for quadrilateral cooperation between them.

Notes

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