

# INDO-PACIFIC

## INSIGHT SERIES



## A Path Forward for Australia-Japan Security Relations

Changing regional conditions necessitate strategic coordination between Australia and Japan to preserve the rules-based order in the Asia Pacific. The direction of this bilateral relationship will be predicated on two major factors: how both countries perceive the relative strength and intentions of the United States and China in the region. The US commitment to Asia remains under scrutiny, particularly after the recent withdrawal from the Trans-Pacific Partnership agreement. China's flexing of its military muscle in the South China Sea challenges the rule of law in the region. Countries are responding to the perceived shift in power in the region by shoring up their own defense due to the unpredictability of the US-China dynamic. If Australia and Japan can achieve consensus on these views and take steps to deepen their relationship, then they enhance their strategic flexibility while promoting a stable, prosperous Asia Pacific region that respects the rule of law.



## EXECUTIVE SUMMARY

- A changing regional balance necessitates reconsideration of the Australia-Japan security relationship.
- The direction of this relationship will be determined by views on the changing roles of the United States and China and the perceived shift in power in the region.
- A deeper, more institutionalized relationship—such as an alliance—between Australia and Japan could fill a leadership gap, perceived or otherwise, left by the United States and offer strategic flexibility in managing China's rising military power.
- Now is the time to begin this debate and pursue a path that strengthens the rules-based order in the Asia Pacific.



Australia-Japan relations are at a fork in the road. Changing regional conditions necessitate strategic coordination to preserve the rules-based order in the Asia Pacific. On the one hand, Australia and Japan can opt against deepening their existing security cooperation and avoid the responsibility that comes with a more active role in the region. Alternatively, they can coalesce around this need, undertake additional steps to improve interoperability to facilitate a more active security presence, and consider a security alliance to bolster stability of the region.

**The direction of the relationship will be predicated on two major factors: how Australia and Japan perceive the relative strength and intentions of the United States and China in the region.**

If Australia and Japan can achieve consensus on these views and move forward on their relationship, then they will secure a position of leadership in promoting a stable, prosperous Asia Pacific region that respects the rule of law.

The June 2017 Shangri-La Dialogue in Singapore, a regional gathering of government officials and thought leaders with interest in strategic matters, underscored the fragility of peace in the Asia Pacific region. Regional stability, secured by an active US military presence, has produced remarkable economic growth over the past 50 years. East Asia is expected to generate one-third of global Gross Domestic Product (GDP) by 2030.<sup>1</sup> In 2016, five Asian countries, including Australia and Japan, ranked among the top 15 GDP producers globally.<sup>2</sup>

**The concentration of economic power in Asia as well as the potential for additional growth—particularly in Southeast and South Asia—creates an even greater need for strategic stability to secure global economic interests.**

This reinforces Australian Defense Minister Marise Payne's conclusion at the Shangri-La Dialogue that "the focus of economic and strategic gravity in the world is shifting to the Indo-Pacific."<sup>3</sup>

Challenges to Asian Pacific regional security are plentiful. The easily identifiable challenges—North Korea's nuclear program, international terrorist organizations, refugee flows, natural disasters, and transnational crime—have created a modicum of consensus for regional collaboration and capacity building. For example, the Proliferation Security Initiative, a US-led commitment to anti-proliferation principles with 105 partner countries, holds an annual exercise in Asia to develop counter-proliferation capabilities to promote enforcement of United Nations sanctions.<sup>4</sup>

But there is comparatively less consensus regarding other challenges to Asian security. Prominent among those challenges are the changing roles of the United States and China. While the United States has adopted the mantle of guarantor of security in Asia since the end of World War II, questions about its commitment to the region generate instability. Under the Obama administration, the rebalance policy was intended to quell suspicions about the US commitment to Asia, but the under resourced initiative never fully lived up to the rhetoric. Most recently, the Trump administration's decision to withdraw from the Trans-Pacific Partnership trade agreement—without replacing it with any other initiative—sparked great concern that the United States is in wholesale retreat from the region. Statements that allies should take on greater financial burden for their commitments have not soothed those anxieties.

<sup>1</sup> "Upholding the Regional Rules Based Order: Marise Payne," ISS Shangri-La Dialogue 2017 Second Plenary Session, June 3, 2017. <https://www.iiss.org/en/events/shangri-la-dialogue/archive/shangri-la-dialogue-2017-4f77/plenary-2-faad/payne-44ff>.

<sup>2</sup> "Gross Domestic Product 2016," The World Bank, updated April 17, 2017. <http://databank.worldbank.org/data/download/GDP.pdf>.

<sup>3</sup> "Upholding the Regional Rules Based Order: Marise Payne," ISS Shangri-La Dialogue 2017 Second Plenary Session, June 3, 2017. <https://www.iiss.org/en/events/shangri-la-dialogue/archive/shangri-la-dialogue-2017-4f77/plenary-2-faad/payne-44ff>.

<sup>4</sup> "US Official Urges Enforcement of UNSC Sanctions on North Korea," Yonhap News Agency, September 29, 2016. <http://english.yonhapnews.co.kr/national/2016/09/29/38/0301000000AEN20160929012600315F.html>.



US engagement at the Shangri-La Dialogue attempted to quell concerns that the United States is retreating from the region. US Secretary of Defense James Mattis noted that the Asia Pacific is a “priority region” and the United States has an “enduring commitment to [its] security and prosperity ...”<sup>5</sup> Yet, these statements come at the same time China is growing economically and militarily and exercising its burgeoning influence in destabilizing ways, and the United States has failed over the past 10 years to effectively counter that destabilizing activity. Moreover, there is concern that the United States’ relative power globally is declining.

China is now the second largest economy in the world and is predicted to overtake the US economy in 2028.<sup>6</sup> This growth in itself is not destabilizing, but how China has exercised its economic leverage has been harmful to corporations and countries doing business with China. Market access limits, intellectual property theft, and unfair competition by state-owned industries hinder trade between China and its neighbours. Further, China is willing to use its economic clout to gain political leverage over other Asian-Pacific countries. For example, in 2010, China responded to the collision of a Chinese fishing trawler and a Japanese Coast Guard ship near the Senkaku Islands by halting the export of rare earth minerals to Japan, throwing Japan’s manufacturing base into a scramble.<sup>7</sup>

China’s overt militarization of the South China Sea is also a troubling development. It has invested in land reclamation and construction of artificial islands to bolster its claims in the South China Sea. Apart from the legal ramifications of these moves, the practical implication of forward Chinese military presence in the South China Sea enables China to better control access to that space.<sup>8</sup> The United States has exercised a freedom of navigation program to challenge China’s claims, but its operations have not deterred continued Chinese construction and militarization of the islands. Questions about China’s intentions in the South China Sea abound, despite its diplomatic commitment to a code of conduct with the Association of Southeast Asian Nations (ASEAN). Its actions speak louder than its words.

Thus, the United States and China—and indeed the whole region—face a security crisis. **Anxiety resulting from a perceived decline of the United States globally and in Asia in particular at the same time as an ambitious China is increasingly willing to throw its economic and military weight around is exacerbated by uncertainty regarding the intentions of both countries.**<sup>9</sup> Asian countries are responding by shoring up their own defense. The Stockholm International Peace Research Institute (SIPRI) data on military expenditures shows that spending in Asia and Oceania increased by 64 percent between 2007 and 2016. Australia and Japan are among the top 15 global defense spenders.<sup>10</sup>

<sup>5</sup> “The United States and Asia Pacific Security: General (Retd) James Mattis,” IISS Shangri-La Dialogue 2017 First Plenary Session, June 3, 2017. <https://www.iiss.org/en/events/shangri-la-dialogue/archive/shangri-la-dialogue-2017-4f77/plenary-1-6b79/mattis-8315>.

<sup>6</sup> PricewaterhouseCoopers, “The World in 2050: Will the shift in global economic power continue?” February 2015 <http://www.pwc.com/gx/en/issues/the-economy/assets/world-in-2050-february-2015.pdf>.

<sup>7</sup> International Crisis Group, “Dangerous Waters: China-Japan Relations on the Rocks,” Asia Report No. 245, April 8, 2013. <https://d2071andvip0wj.cloudfront.net/dangerous-waters-china-japan-relations-on-the-rocks.pdf> pg 21.

<sup>8</sup> US Department of Defense, “Annual Report to Congress: Military and Security Developments Involving the People’s Republic of China 2017,” May 15, 2017. [https://www.defense.gov/Portals/1/Documents/pubs/2017\\_China\\_Military\\_Power\\_Report.PDF?source=GovDelivery](https://www.defense.gov/Portals/1/Documents/pubs/2017_China_Military_Power_Report.PDF?source=GovDelivery).

<sup>9</sup> Duchâtel, Mathieu and Mark Bromley, “Influence by default: Europe’s impact on military security in East Asia,” European Council on Foreign Relations, May 16, 2017. [http://www.ecfr.eu/publications/summary/influence\\_by\\_default\\_europes\\_impact\\_on\\_military\\_security\\_in\\_east\\_asia\\_7288](http://www.ecfr.eu/publications/summary/influence_by_default_europes_impact_on_military_security_in_east_asia_7288).

<sup>10</sup> Tian, Nan, et.al., “Trends in World Military Expenditure, 2016,” SIPRI Fact Sheet, April 2017. <https://www.sipri.org/sites/default/files/Trends-world-military-expenditure-2016.pdf>.



Japan in particular has responded by undergoing a security transformation. Japan has pursued strategic reforms, most prominently 2015 legislation that has set the stage for greater operational cooperation with the United States and others in Asia. That legislation expanded the activities the Self-Defense Forces (SDF) can conduct with the United States during peacetime and allowed Japan to broaden its support activities for the United States and others during situations that have an important influence on Japan's security, without geographic limitations. One provision, considered "self-defense plus," authorizes the use of force under three conditions:

1. a foreign country with whom Japan has a close relationship is attacked and that attack poses a threat to Japan;
2. there is no other way to repel the attack; and
3. the use of force is limited to the minimum necessary to repel the attack.

### Japan has generated the option to develop new alliances or act in partnership with a country other than the United States.

The United States—Japan's only ally—is presumed to be a country of close relations, but the language is not exclusive. Thus, it is possible, legally, for Japan to participate in collective self-defense with countries other than the United States. Australia has been touted as a potential partner.<sup>11</sup> This option offers Japan a hedging strategy to diversify its security posture should Japan ever be concerned that the United States has become too weak or unwilling to honor its security commitments to Japan. That same option extends to Australia.

In this new environment, security relations between Australia and Japan have deepened. Improved defense cooperation has been framed within a trilateral relationship given that both Australia and Japan are allies of the United States. But increasingly, Australia and Japan are cooperating independently of the United States. Yusuke Ishihara, Research Fellow at the National Institute of Defense Studies in Japan, characterizes the bilateral relationship in two phases. The first phase began in 2007 with the signing of the Joint Declaration on Security Cooperation between Australia and Japan that served to institutionalize non-traditional security cooperation, primarily focused on humanitarian assistance. Both countries are now pursuing the second phase of traditional security cooperation.<sup>12</sup> For example, during the April 2017 2+2 meeting in Tokyo, Australian and Japanese defense ministers announced their intention to hold a joint military exercise involving fighter jets in Japan next year.<sup>13</sup> The 2020 Summer Olympics in Tokyo also provides a good opportunity to augment counterterrorism cooperation.

Discussion of a still closer security bilateral relationship between Japan and Australia will be influenced by how Australia views the risk of entrapment in a conflict between Japan and China. Japan's difficult history and complicated modern relationship with China—in particular the tension caused by China's claims over the Senkaku Islands in the East China Sea—present a possible occasion for open conflict. Any potential security partner of Japan is concerned about that scenario. For the moment, though, Japan's pragmatic approach toward the Senkaku Islands, and the deterrence yielded by Japan's alliance with the United States, limit the possibilities of this scenario.

<sup>11</sup> McLellan Ross, Marta, "The Abe Restoration: Pushing Past Japan's Wartime Legacy and Restoring a Responsible Use of Force," *Issues & Insights*, vol. 15, no. 14, December 17, 2015. [https://csis-prod.s3.amazonaws.com/s3fs-public/legacy\\_files/files/publication/151217\\_issuesinsights\\_v15n14.pdf](https://csis-prod.s3.amazonaws.com/s3fs-public/legacy_files/files/publication/151217_issuesinsights_v15n14.pdf).

<sup>12</sup> Ishihara, Yusuke, "The Case for Japan-Australia Defense Cooperation Guidelines," *The Strategist*, May 6, 2015. <https://www.aspistrategist.org.au/the-case-for-japan-australia-defence-cooperation-guidelines/>.

<sup>13</sup> Osaki, Tomohiro, "Japan and Australia move to bolster defense ties in Asia," *The Japan Times*, April 20, 2017. <http://www.japantimes.co.jp/news/2017/04/20/national/politics-diplomacy/japan-australia-move-bolster-defense-ties-asia/#.WTmJ4ca1vZA>.



## A Path Forward for Australia-Japan Security Relations

Deeper cooperation also risks the appearance of a containment strategy against China, possibly leading to a more confrontational relationship between China and either Japan or Australia. Yet, avoiding deeper cooperation on regional security risks ceding the region over to a Chinese sphere of influence, in conflict with the rule of law and shared values and interests of Australia and Japan. If done in a transparent, gradual manner, both countries should be able to mitigate the response from China.

In large part, the course of Australia-Japan defense relations will be influenced by how those countries rate the effectiveness of their alliances with the United States in maintaining stability in Asia. A strong United States—committed diplomatically, economically, and militarily to the region—relieves the pressure on other nations to bear the burden alone for confronting regional threats such as China's activities in the South China Sea. It opens the door to more effective multilateral efforts to enforce a rules-based system. However, given that the strength and commitment of the United States remains in question—despite best efforts by current administration officials to restate American commitments—Australia and Japan should consider the future of their respective alliance with the United States and what the region will look like should China eclipse the United States' economy and further challenge US diplomatic and military power.

**Taking a realistic view of the region and the challenges within it, Australia and Japan could benefit from considering how their relationship and deepened cooperation may fill any gap—perceived or otherwise—left by the United States.**

A shared commitment to democracy, human rights, and a rules-based international order makes Australia and Japan natural partners. Australia is uniquely positioned in the region to lead on security affairs, given its credibility as a partner on counterterrorism, piracy, and intelligence. With its recent security reforms, Japan can be more of an operational partner, and exercising its new authorities with Australia to shape the region's security could support the development of a multi-polar Asia.

**A more formal security partnership for Australia and Japan, such as an alliance, could yield strategic flexibility in addressing China's activities in the South China Sea and other regional challenges, such as North Korea.**

It would signal to the region that leading democracies in Asia will not wait for the US-China relationship to determine the course of regional stability. Instead, they will take steps to bolster their own defense and shape the regional environment toward peace and stability, in line with their values and interests. The potential of an Australia-Japan alliance to coordinate with the United States also yields opportunities for improving interoperability and enhanced training opportunities for all involved. For example, Australia and Japan can move beyond non-traditional cooperation into more traditional security cooperation, and even consider freedom of navigation operations in conjunction with the United States in support of international law.

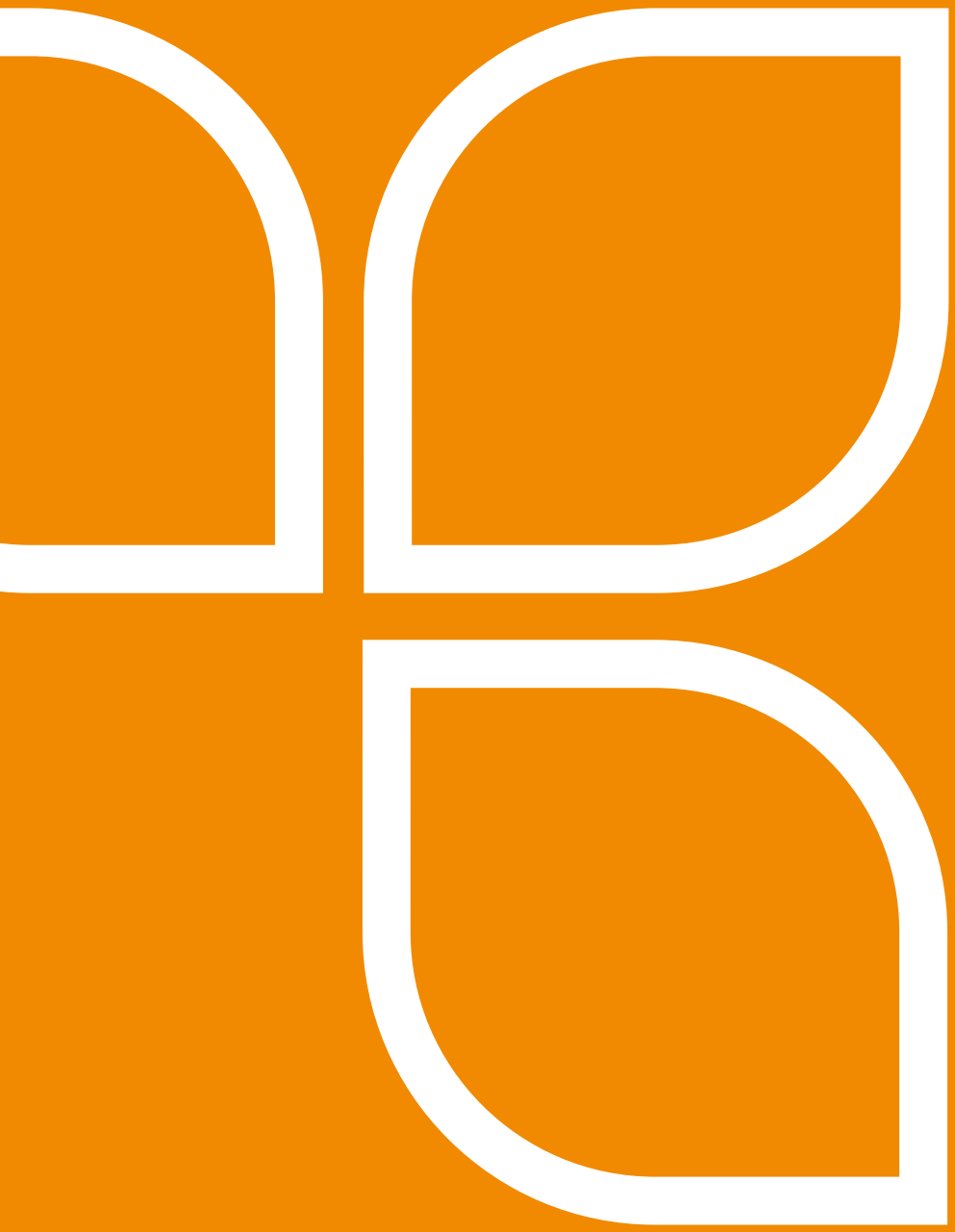
**Two obstacles to such development are conflicting assessments on the Asian security environment and domestic audiences opposed to cooperation.<sup>14</sup>**

<sup>14</sup> Jimbo, Ken, et al., "Final Thoughts," US-Japan-Australia Security Cooperation: Prospects and Challenges, Stimson Center: Washington, DC., p. 102. [https://www.stimson.org/sites/default/files/file-attachments/US-Japan\\_Australia-WEB.pdf](https://www.stimson.org/sites/default/files/file-attachments/US-Japan_Australia-WEB.pdf).



To prevent this from happening, it is crucial to maintain a public dialogue on the benefits of bilateral and multilateral cooperation in resolving regional issues, and the value gained by democracies working together to enforce a rules-based system. This dialogue should also include efforts to document and share the effects of China's military buildup in the South China Sea.

In closing, now is the time to consider how the deepening and institutionalizing of the Australia-Japan relationship can promote stability today and in the future. Such a partnership is years down the road, but it is vital to begin the strategic debate now as to what an alliance would mean to Australia, Japan, and the region. Principally, it could provide a model for cooperation that is in line with the traditional US alliance system, but not dependent upon it. It could also yield another voice to urge a responsible course of development for China and uphold the rules-based international order. Moreover, it will reinforce each country's existing defense strategy and alliance with the United States—enhancing deterrence and solidifying the region's security and prosperity.







### ABOUT THE AUTHOR



**Marta McLellan Ross** is a foreign policy and national security specialist with over 10 years of expertise in US-Asia policy. In 2015, she completed a Council on Foreign Relations-Hitachi International Affairs Fellowship in Tokyo researching Japan's national security reforms and impacts on policymaking, the Self-Defense Forces (SDF), the US-Japan security alliance, and regional relationships. She previously served as Military Legislative Assistant for Sen. Joe Donnelly (D-IN) on the Senate Armed Services Committee, and was the foreign policy advisor to Sen. Jim Webb (D-VA),

Chairman of the Senate Subcommittee on East Asian and Pacific Affairs from 2009 – 2013. Prior to her Senate advisory roles, Marta was a Senior Policy Analyst for Foreign Affairs and Energy at the US-China Economic and Security Review Commission from 2006 – 2009.

Marta holds a Master of Arts in Law and Diplomacy from The Fletcher School of Law and Diplomacy at Tufts University, and graduated magna cum laude from Birmingham-Southern College with a B.A in Asian Studies and Political Science. She received the Harry S. Truman Scholarship for commitment to a career in public service in 2001.



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Perth USAsia Centre

### PERTH USASIA CENTRE

M265, 3<sup>rd</sup> Floor, Old Economics Building (Bldg 351)  
The University of Western Australia  
35 Stirling Highway  
Crawley WA 6009  
Australia

T. +61 8 6488 4320

F. +61 8 6488 4333

E. [perthusasiacentre@uwa.edu.au](mailto:perthusasiacentre@uwa.edu.au)

W. [perthusasia.edu.au](http://perthusasia.edu.au)



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