

# FACING WEST, FACING NORTH

## CANADA AND AUSTRALIA IN EAST ASIA

### SPECIAL REPORT





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Leonard Edwards and Peter Jennings, Project Leaders



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## **ABOUT THE PROJECT**

Begun in late 2012, this two-year project will explore and promote the ways that Canada and Australia can enhance their security cooperation and contribute to more stable regional security environments and governance mechanisms in the Asia-Pacific region.

The region has become an increasingly important area for the Canadian government's international economic priorities. Regional security and stability are prerequisites to achieving these priorities, and given Australia's tremendous success engaging with Asia-Pacific countries from trade and investment through to security, there is no better partner for Canada's own broader engagement in the region.

The Centre for International Governance Innovation (CIGI) and the Australian Strategic Policy Institute (ASPI) will explore the possibilities for Canadian and Australian cooperation in promoting strengthened security and regional governance in the Asia-Pacific. It will cover areas such as strategic policy, cooperation in foreign policy and defence initiatives, and closer military-to-military ties. The project will be led by Australian and Canadian co-chairs, advised by a binational council of prominent individuals and officials. The project's research will contribute to discussions at the February 2014 Australia-Canada Economic Leadership Forum in Melbourne. The resulting report will be presented later in 2014 to both Australian and Canadian governments.

As an additional element, CIGI is working closely with two Korean partners — the Seoul Forum for International Affairs and the Asan Institute for Policy Studies — which will host one of the two regional workshops that form part of the project. It is expected that this workshop will also give important insights into the possibilities of Korean engagement with Canada and Australia in ongoing cooperation in the security domain.

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## PREFACE

This report has been prepared for delivery at the 2014 Australia-Canada Economic Leadership Forum in Melbourne, Australia. The forum is a summit of private- and public-sector leaders from both countries that meets every two years. The goal of the forum is to foster high-level and frank exchanges on issues and challenges of mutual interest to Australia and Canada — partners and allies who share common historical roots and values, including respect for freedom and the rule of law, and the advancement of international peace and security.

The report is the product of a highly successful partnership between ASPI and CIGI, with added support from the Asan Institute for Policy Studies and the Seoul Forum for International Affairs.

It was prepared under the direction of two co-chairs, Leonard Edwards, distinguished fellow at CIGI and Canada's former deputy minister of foreign affairs, and Peter Jennings, executive director of ASPI and former deputy secretary for strategy in the Australian Department of Defence.

The report was drafted by John Blaxland, a senior fellow at the Strategic and Defence Studies Centre at Australian National University, and James Manicom, CIGI research fellow in the Global Security Program, under the guidance of the two co-chairs. CIGI and ASPI are extremely grateful for their hard work in putting this report together.

The recommendations in this report are heavily influenced by two meetings, held in Singapore on June 2-3, 2013 and in Seoul on October 18-19, 2013. CIGI and ASPI thank all of the participants who attended those meetings, including Rajesh Basrur, Eva Busza, Andrew Carr, Cho Chang-beom, Graeme Dobell, Leif-Eric Easley, Paul Evans, Tobias Feakin, Roger Girouard, Han Feng, Tim Huxley, Jo Dong-Joon, Jung Ku Hyun, Kim Young Ho, Lee Jae-Sung, Lee Shin-wha, Iishi Masafumi, Elina Noor, Raymund Quilop, Liu Qun, Mark Raymond, Sakong Il, See Seng Tan, Sheen Seongho, Russell Trood, Ouyang Wei, Jung-yup Woo, Yoshinobu Yamamoto and Samina Yasmeen. The report has also benefitted greatly from detailed written comments and ideas offered by Tom d'Aquino, Perrin Beatty, Don Campbell, Wendy Dobson, Brian Job, James Judd, Pierre Lortie, Reid Morden, Alain Pellerin, Michael Small, David Welch and Yuen Pau Woo.

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January 2014





## EXECUTIVE SUMMARY

Canada and Australia have shared interests in bolstering economic prosperity and security cooperation across East Asia.<sup>1</sup> The focus of the world economy has shifted to Asia; Canada should follow the path Australia has taken for decades and orient itself — in economic and security terms — toward the emerging economies of East Asia. The risk of regional instability is growing, however, due to China's re-emergence, continued speculation about US strategic engagement in Asia and increased competition over disputed maritime boundaries. These developments provide opportunities for collaboration between countries like Canada and Australia. Non-traditional security threats, including natural disasters, climate change, food security and cyber security, point to a range of areas where the two countries can work more closely together.

Economics and security are indelibly linked in East Asia. Relations among the Northeast Asian states are marred by profound strategic and political mistrust. In Asia as a whole, there is an absence of strong regional institutions to help manage or mitigate crises. The Association of Southeast Asian Nations (ASEAN) is the pivotal institution around which other forums revolve. These are, in turn, the lynchpin of regional security and economic discourse. Progress on substantive issues can appear glacial, but participation in these forums is widely seen as the prerequisite for influence. Close engagement with ASEAN is essential for countries interested in contributing to regional security, which is, in turn, a precondition for improved trade relations with the dynamic East Asian economies.

The alignment of politically like-minded prime ministers in Ottawa and Canberra provides scope for creative consideration of how the two countries can help bolster regional security and stability as well as economic prosperity by working more closely together. Given its deeper integration in the region, Australia may also provide pointers to facilitate Canada's greater engagement, but Canada must also engage directly with the region.

Direct bilateral engagement between Canada and Australia should cover the following four areas: strengthening regional security; bolstering regional governance mechanisms; enhancing bilateral defence and security cooperation; and boosting industrial and economic cooperation.

This paper calls for policy makers and business leaders in Canada and Australia to consider the broader and longer-term benefits of greater bilateral and multilateral

cooperation in East Asia. With resource constraints in mind, the following initiatives are recommended:

- **Strengthen regional security.** Canada and Australia must align their separate defence and security engagement activities in East Asia, share lessons learned and look for ways to maximize their separate and collective impact in cooperating with regional friends.
- **Bolster regional governance mechanisms.** Canada and Australia must work to strengthen regional capabilities in ways that add to stability, in particular, in the areas of peacekeeping skills, counterterrorism, humanitarian assistance, disaster relief and cyber resilience. They can also work with others to make regional security governance more effective.
- **Enhance bilateral defence and security cooperation.** Canada and Australia must deepen their individual defence and security dialogues and look for cost-effective ways to do more together across a broad sweep of areas from exercises to defence reform planning.
- **Boost defence industry and economic cooperation.** Canada and Australia should find ways to align defence procurement plans to find cost savings and share best practices on equipment procurement. Their reputation as reliable suppliers of freely traded agricultural and energy products should also be strengthened.

## INTRODUCTION

Canada and Australia face critical challenges to their future prosperity. Both confront growing uncertainties conditioned by global economic rebalancing by the rise of emerging economies. Although the new engines of global growth — in Asia, primarily — are not as steady as once thought, governments in both Ottawa and Canberra have been clear that the future prosperity of their countries rests in East Asia. Reforms announced at the third plenum of the 18th Party Congress of the Chinese Communist Party's (CCP's) Central Committee suggest that Chinese leaders understand the huge challenges involved in rebalancing China's economy towards a more sustainable growth model. The US preoccupation with pursuing a wide-ranging "high quality" trade agreement with Asian economies requires Canada and Australia to take heed in light of their own trade ties with the United States. These economic prerogatives are set against an increasingly insecure regional setting in which deeply integrated production networks co-exist with active territorial disputes, historical animosity and rising military spending. This is the economic and strategic context in which ASPI and CIGI convened meetings in East Asia to discuss the trajectory of the

<sup>1</sup> The region is referred to as "East Asia" for the sake of convention. The case for a redefinition of the region as "Indo-Pacific" is made in Medcalf (2012).

Canada-Australia security relationship (see Boxes 2 and 3).<sup>2</sup> This report provides a road map for security and defence cooperation between two countries with similar economies, shared democratic values and complementary strategic perspectives.

Australia and Canada are free-market, liberal Western democracies with parallel historical experiences and very similar cultural predispositions deriving from their New World, multicultural and Westminster traditions. The two have similar positions on trade liberalization. Both have long-established economic, security and cultural ties with the United States and significant shared histories in Asia.

**Box 1: Economic Stakes in the Asia-Pacific Region**

Three of Canada’s top six export destinations are in Northeast Asia, and the economies of ASEAN amount to Canada’s seventh largest trading partner. East Asian countries and India dominated the list of emerging markets targeted by Canada’s *Global Markets Action Plan*, released in November 2013. The Government of Canada is conducting free trade discussions with India, Japan, Singapore, the Republic of Korea and Thailand.

Australia’s economy is already tied to East Asia. The Northeast Asian economies of China, Japan and the Republic of Korea account for 37 percent of Australia’s total trade. Australia’s free trade agreement with ASEAN and New Zealand has seen Australia’s trade with Southeast Asia rise to the country’s second-largest market after China. The newly elected coalition government has made it clear that economic prerogatives will drive its foreign policy toward the region, and will include an effort to finalize a trade agreement with China to follow from the recently concluded agreement with Korea.

East Asia confronts a number of threats that endanger not only the region’s peace and security, but also its economic growth, which has received a great deal of attention from the business community and political leaders in Canada and Australia. The two countries must contribute to regional stability to secure the “Asian Century” that has captured corporate interest.

When addressing the Australian Parliament in 2007, Canadian Prime Minister Stephen Harper referred to the two countries as “strategic cousins.” Australian Prime Minister Tony Abbott is demonstrably enthusiastic about relations with his Canadian counterpart. This alignment provides a strategic space for some creative and constructive thinking by Canadians and Australians about how best to capitalize on each other’s complementary interests in East Asia’s economic and security domains. The two sides have established communications mechanisms via the Canada-Australia Public Policy Initiative, their long-standing membership in the “Five Eyes” intelligence community and their new strategic dialogue (inaugurated in 2011 by then Defence Ministers Peter MacKay and Stephen Smith). Both have recently subsumed their foreign aid bureaucracies into their departments of foreign affairs, which reflects a commonality of approach to the conduct of diplomacy.

Canada and Australia have both emphasized aspects of their ties to Asia — for Australia, its proximity to the region, and for Canada, its significant Asian population — and both have a national interest in contributing to regional peace and security in a region both identify as the driver of their future prosperity.<sup>3</sup> Combined with their ambitions for closer trade and investment ties with Asia, the two countries have a genuine interest in contributing to peace and security in the world’s most economically vibrant region. Most East Asian states appreciate outside efforts to bolster regional peace and security. Consequently, Canada and Australia are members of a range of regional multilateral forums covering both economic and security affairs including the Asia-Pacific Economic Cooperation (APEC) forum and the ASEAN Regional Forum (ARF), where they already play constructive and multi-faceted roles.

However, there is more to be done. Canada and Australia need, *inter alia*, to:

- deepen relations with the region;
- open new markets for their companies and access value chains;
- reduce investment risks by helping to improve the local regulatory environment where their firms do business and by completing investment agreements; and
- contribute to ameliorating regional flashpoints via diplomacy, confidence-building initiatives and enhanced defence engagement.

2 This report draws on two regional meetings that featured scholars and practitioners from Australia, Canada and across East Asia, and on background papers commissioned for this exercise, which were published by ASPI and CIGI in 2013.

3 See, for example, Government of Australia (2013); Baird (2012).

East Asia will continue to drive global growth. The region accounts for 26 percent of global GDP, 28 percent of global trade and a third of the world's population (World Bank 2013; World Trade Organization 2012, 26-27). Northeast Asia alone accounts for 16 percent of the global economy (World Bank 2013). Often overlooked, the 10 countries of the ASEAN bloc, comprising over 600 million people, form an integrated economy of US\$2.3 trillion and boast an average annual growth rate of five percent, which trails only China and India over the past decade (ASEAN 2012; World Bank 2013). Sitting astride the maritime arteries connecting the Indian and Pacific Oceans, Southeast Asia, in particular through the mechanisms of ASEAN, has become in effect the fulcrum of the region. For this reason, engagement with ASEAN and its related forums will remain vital.

For Canada, the region is an increasingly important target of Canadian trade diversification efforts, given the slowdown of traditional Canadian trading partners to the south and to the east across the Atlantic, notwithstanding the conclusion of the Canada-Europe comprehensive economic and trade agreement. From the Australian perspective, exports to the region have underwritten national economic growth. However, these economic opportunities come at a time of rising uncertainty, as traditional patterns of cooperation and conflict are unsettled by the rise of new powers and the re-emergence of old disputes.

In sum, continued regional stability cannot be taken for granted.

Critically, this changing strategic setting provides the impetus for enhanced collaboration to mitigate emerging risks. The Australian experience is instructive. Australia is far more deeply engaged in the region than is Canada, as a result of the recognition that improving opportunities for Australian business goes hand in glove with a comprehensive and wide-ranging engagement strategy with multiple partners that encompasses both economics and security.

If Canada wants to capitalize on the Asian Century, it would do well to draw from the Australian experience by:

- contributing to issues that promote economic prosperity and the security and stability of the region;
- staying committed for the long haul, demonstrating that Canada's renewed interest is not just a passing fad but central to Canada's national interests; and
- committing to more senior government, official and private sector face time in a region where face time matters.

### **Box 2: What Does Australia Bring to the Table for Canada?**

Australia is well placed to support Canada's regional re-engagement. Australians are more comfortable than ever being seen as part of, yet distinct within, Asia. In many ways, this is now seen as a positive, with many Asian students choosing to study in Australia, in part because of proximity and stability, but also due to Australia's greater affinity with and knowledge of the region than other Western countries. To a certain extent this has also occurred in Western Canada, but for it to happen on a national level, Canada must undergo a similar, distinct process of national debate about the role of Asia in the country's future.

### **Box 3: What Does Canada Bring to the Table for Australia?**

Given Canada's legitimate concerns and priorities elsewhere, Australian policy makers look for more practical demonstrations of Canada's commitment to the region. In this context, it is useful to note what a Canadian "pivot" contributes to Australia. At the regional level, this includes an additional like-minded voice at the table on issues important to Australia including people smuggling, human rights and military transparency. Canada's role in facilitating Australian access to the North Atlantic Treaty Organization (NATO) is noteworthy, as are the two countries' shared responsibilities in multilateral trade negotiations and arrangements for consular support in remote parts of the globe, where only one or the other has diplomatic representation. Following from the creation of a strategic dialogue on defence planning inaugurated in 2011, there is considerable leverage to be gained for both countries from seeking to align their policy priorities to ensure they operate in a way that is mutually reinforcing. Canada shares Australia's world view on many trade and security issues, which makes it an appropriate partner on matters related to the US alliance system, emerging powers and regional governance mechanisms.

## **STRATEGIC SETTING**

The wider Asia-Pacific region, including the countries of South Asia, Southeast Asia, East Asia, Australasia and Pacific Ocean-facing North America, is undergoing a strategic shift at a time of global and regional uncertainty. A number of unsettled disputes over territory are becoming more politically prominent because of rising nationalist sentiment, which risks the outbreak of conflict in the most heavily armed region in the world. Even short of hostilities,

these disputes increase investment risk and insurance premiums, and reduce opportunities for Canadian and Australian companies.

The region also confronts a number of non-state threats to economic growth including climate change and natural disasters, people smuggling, growing demands for energy supplies and cyber threats. Importantly, these threats occur in areas where Australian and Canadian comparative advantages could serve as a basis for deeper regional engagement.

## THE RISE OF CHINA

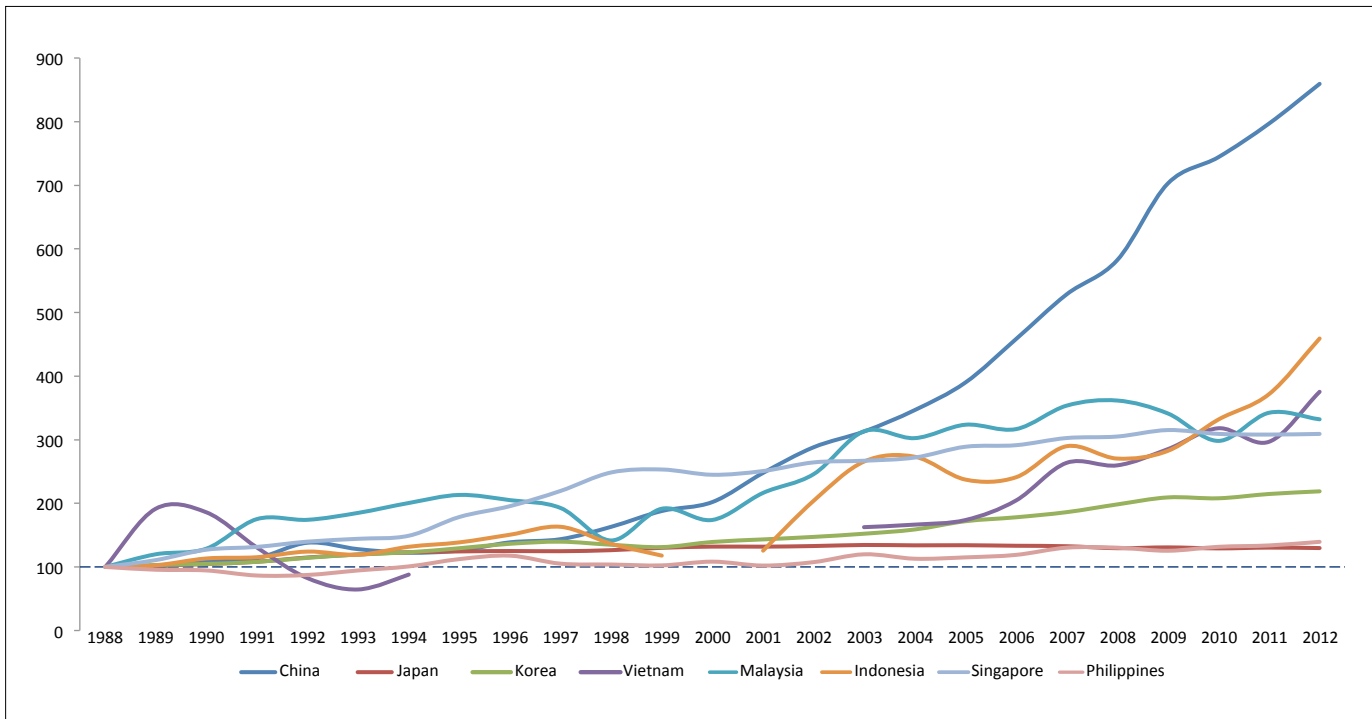
Chinese defence spending has been steadily increasing at double-digit rates since 1989, fuelled by its impressive economic reforms. Although it claims this spending is defensive in orientation, China seeks a military with a global reach to secure trade routes, protect its citizens abroad and maintain its growing investments overseas. China will continue to develop its blue-water naval and air support capabilities in its future procurement plans. The country has deployed a maritime task group for anti-

piracy operations in the Gulf of Aden, which demonstrates its ability to sustain forces far from its traditional theatre of operations. These steps indicate that China seeks a greater role for its armed forces both in the region and beyond.

In addition to its more potent military, Beijing is prepared to resist perceived slights on issues that affect the rule of the CCP. Years of emphasizing China's "peaceful rise" in the region have given way to a confidence since 2009 that makes China more willing to use its economic weight and military and paramilitary power to assert its interests. Methods include, but are not limited to, deploying its coast guard vessels to police its claimed but disputed maritime jurisdiction, applying informal economic sanctions, encouraging consumer boycotts and, in November 2013, declaring an Air Defence Identification Zone in the East China Sea.

This behaviour has unsettled the neighbourhood, and points to the need for closer Canadian and Australian engagement with China as well as engagement with other security partners across East Asia.

**Figure 1: Real Military Expenditures in Selected Asian Countries (Inflation-adjusted Index, 1988 = 100)**



Source: SIPRI Military Expenditure Database (2012).



## THE CHALLENGE TO US STRATEGIC POWER IN ASIA

Overwhelming US military strength has deterred military adventurism by would-be aggressors in the region since the end of World War II. However, amid some calls in Washington for the United States to “come home,” the United States is indebted and war weary. Mandatory budget cuts will constrain a US military that fought two wars in the Middle East for over a decade. Some strategists believe that China’s strategic shift since 2009 is based on the expectation that the United States does not have the capacity, or perhaps the political will, to stay a steady course in Asia.

China’s behaviour has increased quiet demands from countries in the region that the United States remain a dominant military power in East Asia. To allay regional unease, US President Barack Obama has reasserted the US commitment to regional security. In his address to the Australian Parliament in November 2011, Obama stated unequivocally that “reductions in US defence spending will not — I repeat, will not — come at the expense of the Asia Pacific.” This “rebalancing” from the Middle East and Europe is more than just a military effort — it is recognition that the United States’ economic future is tied to Asia. US leaders are quick to emphasize the economic dimensions of the rebalancing, embodied by the trade negotiations toward a Trans-Pacific Partnership (TPP), as well as the political and humanitarian aspects.

As a result, the United States is seeking to revitalize ties with its allies and, for the first time, encouraged Australia, the Republic of Korea and Japan to cooperate to strengthen regional security. The United States has also sought to engage Australia and Canada more closely in its security arrangements centred on the US military’s Pacific Command in Hawaii. As US allies with an interest in regional stability and free access to the global commons, deeper cooperation with the United States makes sense for Canada and Australia.

The two countries have responded positively to these US overtures. Canada and the United States have instituted an annual strategic dialogue on security issues in the region. Australia has assigned ships to work intimately with the US 7th Fleet based in Japan, and Canada seems prepared to increase the visibility of its navy in the region. In addition, Canada and Australia have assigned officials to operate in senior embedded positions in the US hierarchy in Hawaii, where they contribute alternative perspectives that reflect Australian and Canadian values and interests. These interventions are largely well received in the region and helpful in enabling the United States to engage in the region without unduly exacerbating tensions. There is a need to ensure the “rebalancing” does not increase Chinese fears about containment.

### Box 4: Sources of Instability in East Asia

East Asia has gone from being particularly violent in the 30 years that followed the end of World War II to being particularly peaceful following the end of Cambodia’s civil war in 1991. There are, however, new or re-emerging sources of tension and instability accompanying the region’s explosive economic growth:

- The addition of one billion people to the middle class over the next five to 10 years will present enormous challenges and opportunities. Asia’s new middle class can be expected to demand participation in political systems where institutionalized avenues for political participation are weak.
- A shifting regional balance of power where a group of rising new regional powers — including India, Indonesia, Vietnam and South Korea — are challenging the regional power hierarchy, and where Russia and Japan worry about their loss of power relative to China.
- China’s heavy-handed management of relations with its smaller neighbours, particularly over maritime and other territorial disputes, drives them into the arms of the United States.
- Increased competition over scarce offshore energy and fisheries resources, localized in disputed maritime areas.
- Rising nationalism is playing out in territorial and resource disputes in the region. These disputes are infused by deep-rooted cultural and historical animosities tied to the legitimacy of political elites.
- Incidents at sea risk heightened escalation involving the naval vessels, coast guards and other maritime entities of claimant states.
- North Korea’s continuing nuclear sabre-rattling and blackmail tactics threaten security on the Korean peninsula.
- A major modernization of armed forces in the region, bordering on an arms race.
- Monopolization of water flows by China has become a source of leverage over downstream states in the Mekong River delta.
- Radicalization of ethnic and religious minorities has occurred, in particular in western China, southern Philippines, Myanmar’s borderlands, southern Thailand and parts of Malaysia and Indonesia. This leaves many states distrustful of each other, internally focussed and constrained from thinking strategically and acting collectively.

From Australia's perspective, these arrangements reflect a bipartisan commitment to encourage the United States to maintain an active and constructive role in ensuring regional security and stability while also providing an important means for engagement with the United States on issues of concern to Australia. For Canada, the issue may not be as fully articulated, but the sentiment is the same. Beyond these measures, there remains scope for considerably more to be explored on a bilateral basis between these two close US allies.

## **MARITIME SECURITY AND TERRITORIAL DISPUTES**

Territorial and maritime boundary disputes have caused several states to increase spending on naval capabilities. Regional states are preoccupied with the potential riches from exploiting the oil, gas, minerals and fisheries that lie in disputed offshore areas. The political importance of nationalism has hardened state postures and thwarted cooperation. There have been a number of confrontations at sea between claimant states. In this context, there is a growing demand for US power in the region as a direct consequence of China's perceived aggression in regional maritime disputes, despite the pursuit of assertive policies by all sides.

The prospect of conflict at sea raises the cost of shipping through the world's busiest sea lanes. Furthermore, the recent tit-for-tat encroachment of coastal states on international airspace raises further concerns. First, it creates uncertainties for civilian air traffic in overlapping areas. Second, it will likely increase the number of interceptions between military aircraft, which have proven dangerous, and even fatal in April 2001. Threats to the global commons will ensure international preoccupation with regional security in East Asia.

Australia and Canada can play a role in encouraging the states involved to look beyond their own nationalist agendas. Although neither Australia nor Canada has a direct stake in these disputes, they are well placed to foster confidence-building measures and enhance regional collaboration and the de-escalation of disputes. Both countries have made important contributions to regional institutions in the past, including in the formation of APEC and support for track two diplomacy in the South China Sea.

Simultaneously, threats to maritime security (beyond the escalation of the region's maritime disputes) include piracy, high seas robbery, the politically motivated disruption of sea lanes and people-smuggling cartels dominating irregular and unregulated movement of people at sea, and bind East Asian states together. The stakes are high. The sea lanes of communication are the arteries of the region's growth, and the logistics of energy security feed the region's prosperity. Fifty percent of global container traffic

passes through the Indian Ocean and Pacific sea lanes, as does 70 percent of ship-borne energy (Locklear 2012). Southeast Asian states have been particularly receptive to capacity-building efforts, including coast guard exchanges, from China, Japan and Korea in the past. As countries that also police large maritime areas with scarce resources and that have refined and mature capabilities to offer, Canada and Australia could make headway in this area.

Engagement in regional security issues, in particular through the range of economic and security-related forums, improves relations with countries in the region, reduces the investment risks for Canadian and Australian companies and builds the trust needed to open new markets in the region. The Royal Australian Navy and Royal Canadian Navy already collaborate extensively on these issues in the Persian Gulf, the Gulf of Aden and elsewhere.

## **EMERGING "NON-TRADITIONAL" SECURITY THREATS**

In addition to these state-centric challenges, a number of security threats are emerging that are reshaping regional dynamics. Food, energy, environment and cyber insecurity threaten economic growth and undermine political systems in the region.

Price spikes in global food prices after 2008, driven by higher input prices including petrochemicals, and the growing frequency of extreme weather events in fertile areas have exacerbated food insecurities. Increased urbanization has reduced the availability of arable land, which has further affected food insecurity. The region presents a tremendous market opportunity for Australian and Canadian agricultural producers, who are net exporters of agricultural goods.

The Asia-Pacific region, particularly Northeast Asia, suffers from an acute sense of energy insecurity. The region consumes 34 percent of global energy, yet possesses less than three percent of global oil reserves and around five percent of global gas reserves (BP plc 2013). The situation is worsened by hoarding practices by some states and by market interference by states using their revenue to "secure" energy sources overseas.

Feeding this appetite for energy and commodities has underwritten Australia's economic boom over the past decade. Canadian political and business leaders recognize that the time has come for them to capitalize on this market as well. As resource exporters, Canada and Australia are well placed to engage regional partners in a comprehensive framework on energy security that strengthens management of supplies and mitigates supply disruptions.

Natural disasters and climate change present a recurrent and growing threat to economic stability in the region, exacerbated by poor adaptive capacity on the part of

Figure 2: Sea Lanes and Maritime Disputes in East Asia



Source: ASPI.

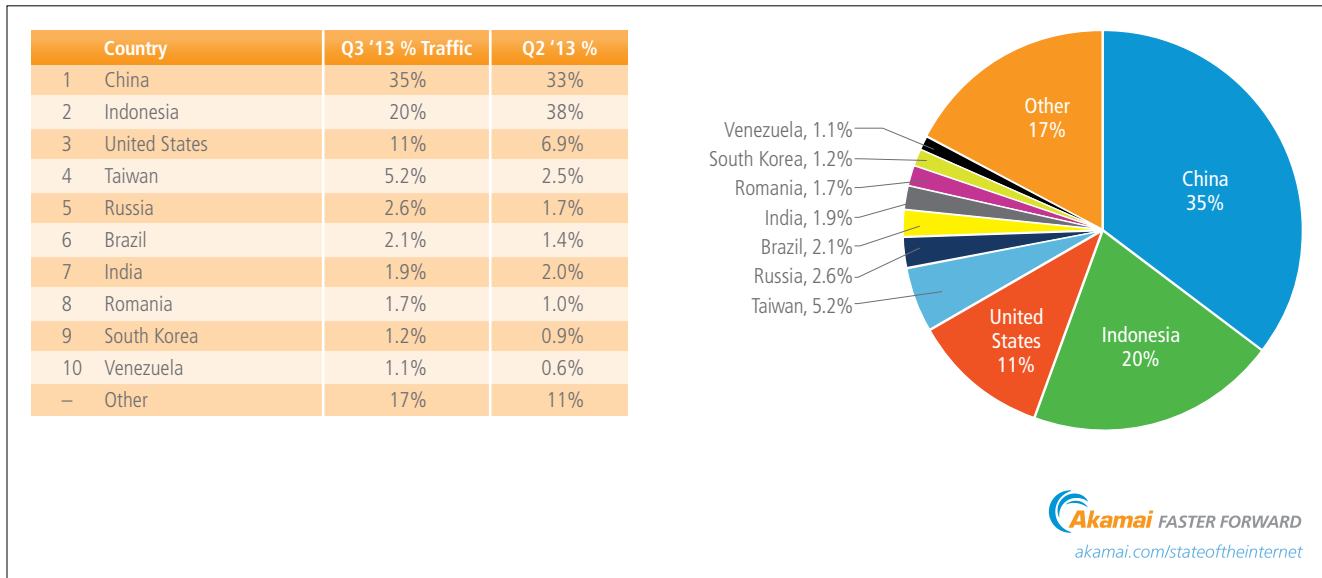
regional states and institutions. This is well demonstrated by Typhoon Haiyan/Yolanda, which struck the Philippines in November 2013. In the long term, rising sea levels and other environmental pressures will exacerbate many of the food and energy insecurities noted above. Admiral Samuel Locklear, commander of US Pacific Command, recently described climate-related disruptions as the most probable security challenge in the Asia-Pacific (Bender 2013). The Internal Displacement Monitoring Centre has reported that around 117 million people were

displaced by natural disasters and climate-related events from 2008 to 2012, across all of Asia (Yonetani 2013, 27).

Australia and Canada have significant experience and the resources and capabilities to address these matters. Both countries made considerable diplomatic headway in the region after the 2004 Indian Ocean tsunami and with similar responses to Typhoon Haiyan/Yolanda. There is the potential for both Canada and Australia to make significant and constructive contributions to regional



**Figure 3: Global Origin of Cyber Attacks**



Source: Akamai (2013).

security and stability in the face of a likely surge in such challenges. At a minimum, the increase of climate refugees suggests the escalation of existing concerns for both governments, warranting closer bilateral consultation and collaboration.

The emerging issue of cyber security also presents a challenge to regional security. Numerous studies place East Asia as the leading point of origin (by IP address) for cyber attacks. Canada and Australia already share a high standard of cyber security capabilities. Canada and Australia could work with countries in the region to strengthen global institutions and norms surrounding the use of cyber capabilities.

In sum, East Asia confronts a number of growing threats to its prosperity; however, these same circumstances also provide an opportunity for Canada and Australia to contribute to the reduction of such risks.

Canada could take its cue from the Australian experience, which is predicated on committing the time of senior political leaders, officials, the business community and real resources to deepening bilateral relations and multilateral engagement. Working jointly with ASEAN on non-traditional security concerns is a very promising path forward.

## GOVERNANCE CHALLENGES

Asian countries prefer consensus building over negotiation and rules, and have developed the evolving institutions for confidence building in security and economic integration along those lines. As a result, the functional contribution they make to regional stability

is generally marginal, although some progress is being made in harnessing the region’s remarkable diversity and competing interests around common goals. In practice, these regional institutions facilitate interaction between competing interests in a constructive setting, where personal relationships facilitate mutual understanding. Participation by non-Asian countries is noted and appreciated.

Participants at recent meetings, however, have struggled to develop a coherent response towards competing sovereignty claims in the South China Sea. ASEAN countries are divided between those that claim part of the South China Sea and those that do not. The latter group includes countries dependent on Chinese aid and investment. Those that are most alarmed have sought deeper US involvement in the region, inviting the US to “rebalance.” The related dilemma is that most governments recognize that their economic future is tied to China, but seek out the Americans to provide security. In this climate, Northeast Asian rivalries are being played out in Southeast Asia as Japan improves its ties with countries alienated by China.

Australia has remained consistently engaged in the region and is well placed to participate in these forums. Canada has a strong track record of engagement, but its investment in the process is not perceived as consistent and strong. For that perception to change, Canada needs to demonstrate its resolve to remain engaged as a serious player in regional security, including in the range of multilateral official and semi-official forums to pave the way for deeper participation. Renewed engagement can be pursued at the official and unofficial levels through participation in the ARF and its associated think tank, the Council for Security



Cooperation in the Asia Pacific. Building closer bilateral defence relationships, in addition to broader engagement with ASEAN, is a critical preliminary step for Canada as it seeks membership in the premier regional economic and security institutions: the East Asia Summit and the ASEAN Defence Ministers Meeting Plus (ADMM-Plus) respectively.

Predisposed to a trans-Atlantic tradition, and often preoccupied by Middle Eastern and African engagements, Canada has not been seen as a consistent and committed participant in these ASEAN-centric forums. To change these regional perceptions of Canada, considerable investments in time and effort, especially at the bilateral level, are required to deepen bilateral defence and security ties with key trade and investment partners in the region.

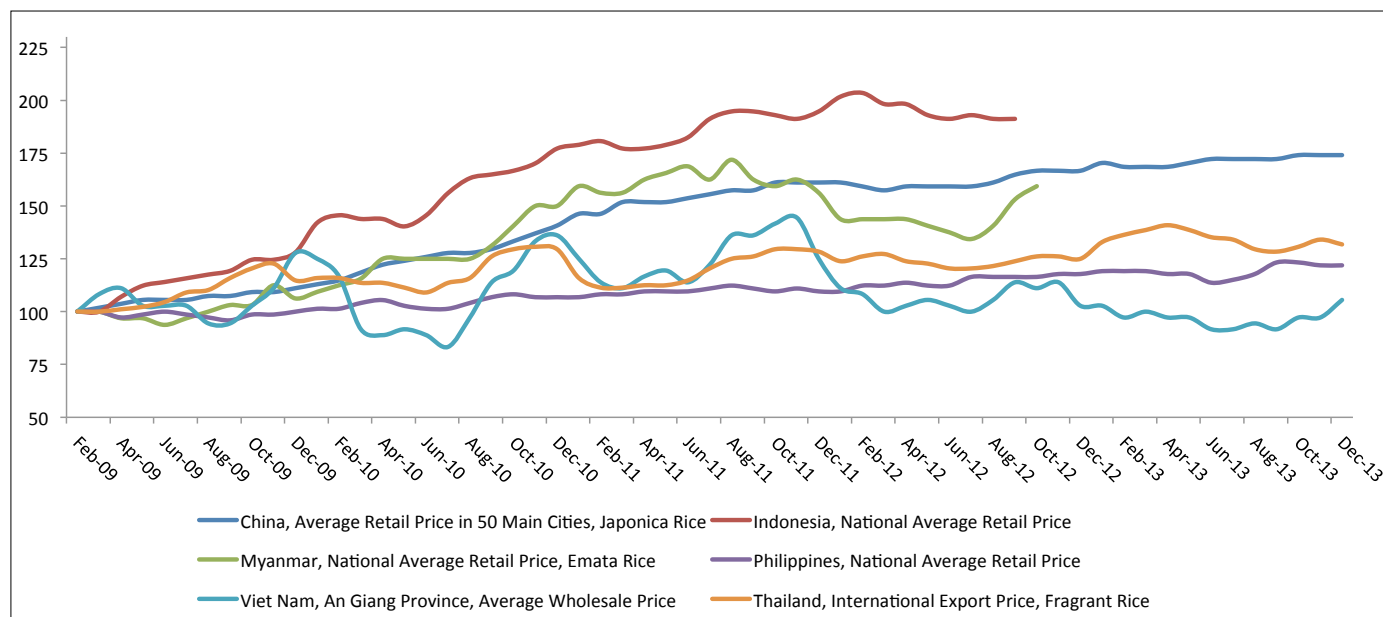
Asian countries have come to value the notion of multilateral defence diplomacy — the idea that military exchanges and exercises can increase transparency and reduce suspicion among potential adversaries. In many respects, this is based on the recognition that defence diplomacy is needed to maintain and strengthen ASEAN. This also provides a number of openings for Canada and Australia, separately or together, to engage with regional security partners in ways that were difficult to conceive only a few years ago, specifically the biannual humanitarian and disaster relief exercise held under the auspices of the ARF, and increasingly under the auspices of the ADMM-Plus. Canada should consider engaging the priority markets outlined in its *Global Markets Action Plan* (China, India, Indonesia, Malaysia, Singapore, Korea, Thailand and Vietnam) as security and economic partners.

## ECONOMIC CHALLENGES

The region's economic dynamism in the post-war period has been underpinned by US defence alliances, most notably with Japan, which have kept China and Japan from each other's throats and provided a foundation of political stability, leaving governments relatively free to focus on economic development and integration. Millions of people are now approaching middle-class levels of per capita incomes. Governments have become concerned about avoiding the "middle-income trap," in which increases in per capita income could slow or even stagnate. At the same time, individual expectations of material prosperity are rising because of a reluctance to make changes to institutions and incentive systems that encourage technical change and innovation as a source of growth. Regional production networks that foster the division of labour among countries and provide opportunities for moving up the value chain and greater engagement in trade in parts and components linked to cross-border investment assist with the desired transition. Facilitating the growth of global value chains is one of the main focusses of the TPP negotiations.

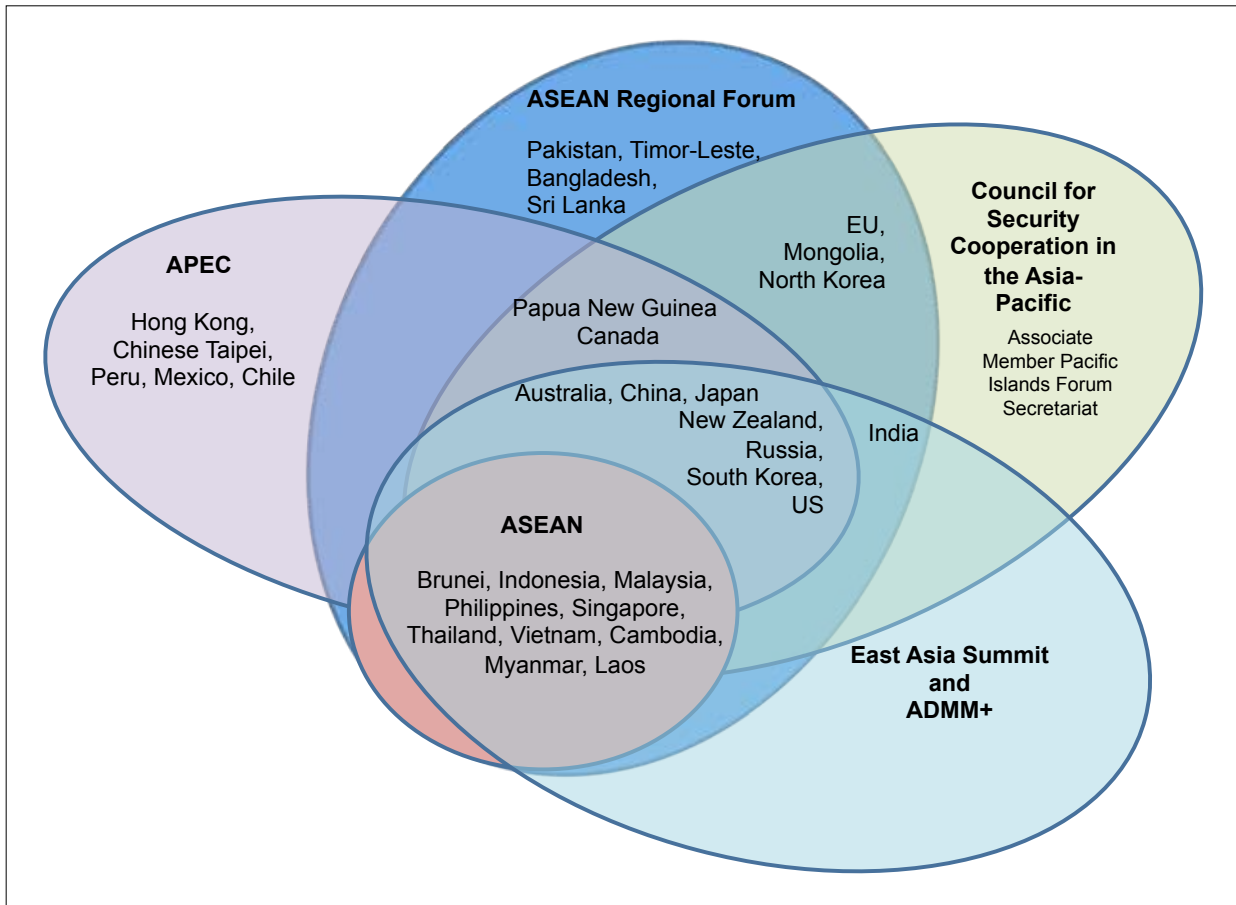
The TPP originated in a smaller agreement that others could apply to join — which the United States did. It now includes 12 countries on both sides of the Pacific, and is designed to address twenty-first century trade challenges such as global value chains, state-owned enterprises, competition policy, investment and intellectual property concerns. More recently, ASEAN has proposed the Regional Comprehensive Economic Partnership (RCEP)

**Figure 4: Index of Rice Prices, Selected Asian Economies (February 2009 Price = 100)**



Source: Food and Agricultural Organization of the United Nations.

Figure 5: Asia's Regional Security Architecture — Where Australia and Canada Fit



Sources: Australian Department Foreign Affairs and Trade and ASEAN.

in an effort to consolidate a series of plurilateral trade agreements between ASEAN and China, India, Japan and Korea, as well as New Zealand and Australia.

These initiatives create competing pressures for those on the outside. Consistent with ASEAN's style, the RCEP is preoccupied with traditional concerns of trade in finished goods and is moving more slowly than the TPP. Although the RCEP currently excludes the United States and Canada, the TPP has proven itself to be a more flexible model, capable of incorporating latecomers like Canada, Mexico and Japan. China is studying the question.

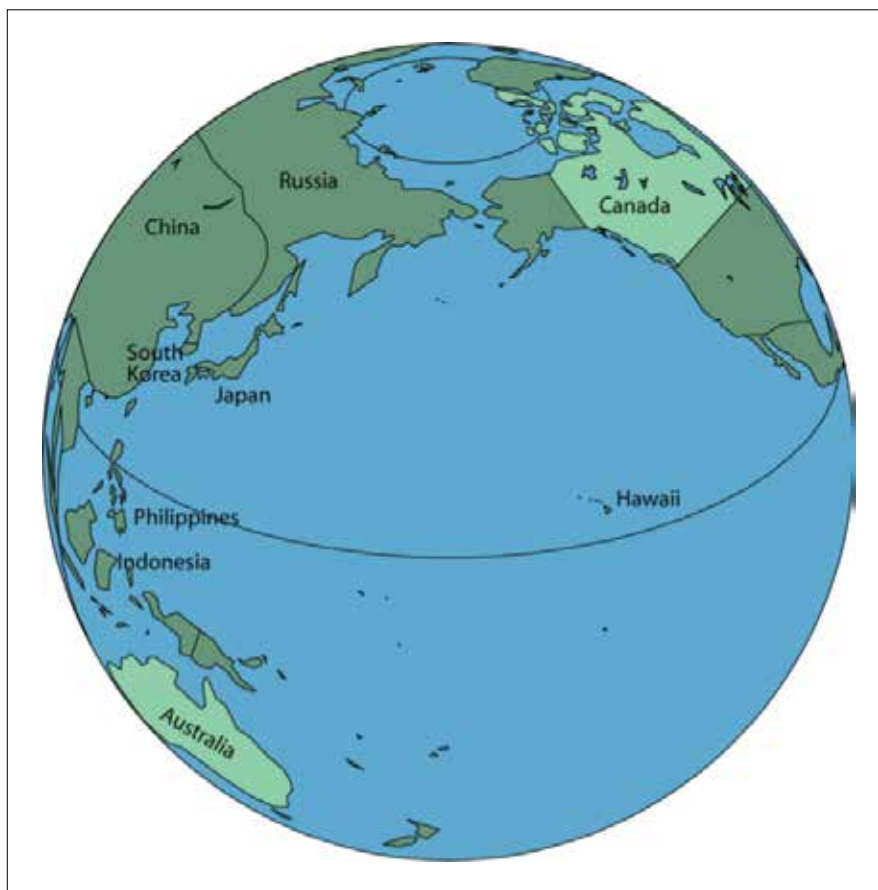
With shared equity in maintaining a rules-based economic order, and with their own access to the US market at risk, Canada and Australia have a vested interest in facilitating a constructive path forward, up to and including supporting Chinese accession to the TPP in the same spirit as encouraging its accession to the World Trade Organization almost a generation ago. Economic and security cooperation go hand in hand. Economic integration can leaven tensions; security cooperation and institutional face time can build trade ties by maintaining stability, reducing mistrust and preventing potentially costly escalation of regional disputes.

## AUSTRALIA'S OUTLOOK ON EAST ASIA

For obvious geostrategic reasons, Southeast Asia looms large in Australia's security consciousness. This has traditionally driven Australians to seek security ties with great powers, first the United Kingdom and then the United States. Australia was a founding member of the ADMM-Plus initiative because Australia has consistently invested in Southeast Asian relations over several decades.

Australia engaged in a vigorous debate for much of the 1980s and 1990s about where its strategic prerogatives should lie — with historical partners such as the United Kingdom and the United States, or with East Asia. In practice, Australian policy has emphasized deep engagement both with Asia and with traditional friends and allies. Early trade and economic engagement with Japan after World War II created the basis for solid Australian economic growth in the 1960s. China's economic opening in the 1980s and the broader North Asian demand for Australian commodities continues to be the basis of Australian economic growth. In

Figure 6: The Pacific Rim



Source: Blaxland (2006).

Southeast Asia and the Pacific, Australia has sought to develop strong economic, defence and people-to-people ties for decades. Although there have been incidences of mutual mistrust and occasional misunderstandings, the trend over the last half century has been for a deepening of relations between Australia and the Asia-Pacific even as the United States has remained Australia's closest defence partner through the ANZUS alliance<sup>4</sup> as well as its largest economic partner through a combination of trade and investment.

Australia's engagement with ASEAN neighbours as partners has paid real dividends for its standing as a major contributor to the region's security and economic prosperity. Like many of its neighbours, Australia looks for practical signs of Canada's bid for regional re-engagement. Furthermore, Australia shares broader regional hesitations about the durability of Canada's re-engagement with the region, which it sees as being driven largely by economic motivations. Ottawa needs to understand that engagement comes at the price of being involved in the region on a practical level. Defence cooperation requires Canadian Armed Forces (CAF) assets to visit the region

and engage in practical exercises and skill development. Not surprisingly, being engaged requires Canada to actually be in the region. Over time, a real priority for engagement must drive defence cooperation investment decisions. Australians are ready to welcome heightened Canadian participation in regional affairs. Australia and Canada should work together where they can add value, and separately where it makes sense to do so.

## CANADA'S OUTLOOK ON EAST ASIA

Given its geography, Canada has primarily focussed south across the 49th parallel to the United States and looked east across the Atlantic to the United Kingdom; however, it has had important but little-recognized security and trade interests in East Asia. These enduring interests are defined by several considerations, including Canada's growing diversification of trading and investment partners and the associated necessity of strengthening regional security and institutions. Almost 10 percent of Canadians identify as being of South Asian or Chinese heritage; Asia is the largest regional source of immigration to Canada (Statistics Canada 2013, 7 and 15).

<sup>4</sup> ANZUS is a military alliance between the United States, Australia and New Zealand.

Although it is hamstrung by limited budgets, if Canada is to make the most out of Asian growth, its stake in regional stability and prosperity must grow commensurately. Canada's economic partners in the region, notably Japan and Korea, but also new trading partners in Southeast Asia, have signalled that if Canada wants to conclude new investment and trade deals, it will have to be a more reliable and engaged security partner. Although China, the region's biggest economic player, has not sought increased security engagement from Canada, it may be responsive to such overtures if they are presented appropriately. As a globally conscious country of capacity, Canada can work with other "constructive powers" to influence the behaviour of great powers in the region.

Like Australia, Canada also has a clear interest in the prudent management of relations between the United States and China. Ottawa is well placed to act as a secondary conduit between Washington and East Asia. Many of the region's emerging security challenges, including cyber security, are global challenges that require a concerted regional and global response. Canada can make substantial contributions, but will have greater impact if it works with a like-minded country such as Australia. Other security challenges, such as food and energy security, provide opportunities for Canadian business, which could significantly bolster Canada's prospects for engagement in the region on other fronts.

## PROPOSALS AND RECOMMENDATIONS

There is the potential for significant synergies to be harnessed between Canada and Australia at diplomatic, strategic and economic levels. A clear demonstration of resolve and political will, informed by a fresh understanding of what they have in common, is needed. The political alignment between the Harper and Abbott governments can help to broaden and deepen bilateral relations in terms of immediate opportunities for cooperation. It is important to recognize, though, that there is strong bipartisan political support for the relationship and, with the right emphasis, it should thrive under any combination of governments in Canberra and Ottawa.

Australian and Canadian political leaders, policy makers and business people must focus on areas where they can make tangible and mutually beneficial steps towards closer bilateral engagement. Close cooperation already exists, but it should be ramped up. There is scope for enhanced engagement across the following four areas: strengthening regional security; bolstering regional governance mechanisms; enhancing bilateral defence and security cooperation; and boosting industrial and economic cooperation.

## STRENGTHENING REGIONAL SECURITY

- **Australia and Canada should take practical steps to help build trust and reduce the potential for misperceptions and crises in the region.** As respected and influential countries with high-quality defence forces, Australia and Canada are welcomed in East Asia as net contributors to stability.
  - **Align and deepen defence engagement with China.** Canada and Australia can help to integrate China more fully into the regional security architecture by extending invitations to observe and, where possible, participate in programmed international security events including civil-military disaster response and counterterrorism exercises.
  - **Strengthen defence ties with other regional powers,** including India, Japan, Korea and Indonesia. Canada and Australia should provide information exchanges on how relations with the great powers are being managed and develop confidence-building measures bilaterally and multilaterally.
  - **Facilitate track one and track two information exchanges.** Canada and Australia could jointly host such events and, at minimum, should have each other closely in mind when formulating proposals and information exchanges. The defence attaché in both capitals should be upgraded.
- **Share policy approaches on people smuggling.** Canada and Australia can benefit from continuing to work together operationally while harmonizing their positions toward transit countries and aligning their messages to key states (notably Indonesia, but also Malaysia, Thailand and Sri Lanka). Australia's new head of Operation Sovereign Borders could help take the lead on this.
- **Enhance law enforcement collaboration and information sharing.** Information sharing is required between the Royal Canadian Mounted Police (RCMP) and Australian Federal Police (AFP) as well as state/provincial and municipal police bodies on transnational crime. This would involve reaching beyond federal bodies to their state/provincial counterparts to explore opportunities together. The initiative would require the RCMP and AFP to work in collaboration, but modern information communications technology makes this quite feasible.



## BOLSTERING REGIONAL GOVERNANCE MECHANISMS

- **Support capacity building in East Asia.** Canada and Australia are well placed to leverage their expertise in a range of areas to build the capacity of their partners in the region. This could include areas such as peace operations, military medicine, strengthening regional military approaches toward the rule of law, strengthening counterterrorism collaboration and reviewing options for a common agenda on food security.
- **Develop shared approaches to humanitarian assistance and disaster relief.** Canada and Australia should participate in preparatory training that draws on ADF and CAF elements as they undertake military exercises.
- **Share approaches to building cyber resilience.** Australia and Canada should consider ways to bolster regional cyber security capabilities that include assisting local authorities build cyber resilience in Southeast Asia.
- **Strengthen the ARF.** Canada and Australia should consider aligning working group agendas with other institutions like the ADMM-Plus, for example, on maritime security. The two countries should foster collegial engagement on topics of mutual concern, perhaps under the auspices of the Expert and Eminent Persons group under the ARF.
- **Engage South Asian regional institutions.** The Indian Ocean Rim Association and the Asian Coast Guard Forum are two examples.
- **Cooperate in development assistance programming** in countries of comparable levels of engagement, including Mongolia and Vietnam, and countries of priority such as Myanmar. This builds stronger economies and better governance, which strengthens the climate for Australian and Canadian business.

## ENHANCING BILATERAL DEFENCE COOPERATION

Building on their strong intelligence-sharing relationship, Canada and Australia should consider a range of strategic and governance proposals that draw on ADF and CAF resources. The Australian Defence Organisation and Canada's Department of National Defence, and related services, should seek to:

- **Align interaction with Chinese security forces.** Canada and Australia should develop common standards/protocols on interaction with the Chinese

military and security forces, including the newly formed China Coast Guard.

- **Share lessons learned on regional defence engagement.** Australia has considerably greater levels of engagement in the region, but Canada has a wealth of experience from its engagement in other parts of the globe, which is acknowledged by its regional partners. Lessons can be shared through working-level information exchanges as well as regular high-level meetings.
- **Promote even closer cyber cooperation.** Much work is needed to ensure that the CAF and the ADF remain interoperable while also maintaining the highest levels of cyber defence. The Australian Signals Directorate and Communications Security Establishment Canada are already involved in this domain, but further collaborative measures should be explored, including in military-to-military cooperation.
- **Maximize opportunities presented by multilateral exercises.** Exercises such as RIMPAC (the Rim of the Pacific exercise) and Cobra Gold are excellent venues for collaboration and building ties with regional security partners. Canada and Australia already participate in RIMPAC; however, neither has a significant presence at Cobra Gold, which is the most significant regional military exercise conducted in Southeast Asia. They should also use the exercise to explore further opportunities for bilateral and multilateral collaboration with like-minded regional security partners, such as FRANZ.<sup>5</sup> Australia is a major participant in the Five Power Defence Arrangements with Singapore, the United Kingdom, Malaysia and New Zealand. Canada conceivably could seek observer status in such activities and coordinate the timing of participation in other regional activities (such as Cobra Gold) to be closely aligned, enabling sequential participation. Similarly, Canada could widen the list of countries that it invites to the annual Maple Flag exercise.
- **Deepen bilateral military dialogues.** Australian and Canadian officials should meet regularly to identify opportunities in defence diplomacy, both under the nascent ADMM-Plus construct and under NATO.
- **Share best practices on defence reform.** Both Australian and Canadian defence establishments are going through new reform programs designed to make efficiencies and maximize value for money. The comparable size, scale and organizational structure of the two countries' defence organizations provide

<sup>5</sup> FRANZ is a military agreement between France, Australia and New Zealand.

opportunities to share best practice thinking on defence reform.

## BOOSTING DEFENCE INDUSTRY AND ECONOMIC COOPERATION

- **Develop synergies in military procurement.** There are a number of potential synergies on procurement priorities between the two countries. The Harper government's new *Global Markets Action Plan* (November 2013) calls for greater attention to the defence sector. For instance:
  - The industrial capacity required to meet Canada's Arctic and maritime security priorities is similar to that required for Australia's interest in acoustic technologies and systems.
  - The two countries share procurement goals in soldier protection and outfitting.
  - Both countries need to replace their submarine fleets, yet neither Canada nor Australia has the critical mass to sustain its maritime defence industry single-handedly. Long-term industrial cooperation could see a longer production run and yield more benefits to industry. Canada could purchase next-generation diesel submarines made in Australia.
  - As a quid pro quo, Australia could review options for collaboration in the Offshore Patrol Vessel program that will be built in Canada, as Australia looks to build its capacity for offshore patrolling the Southern Ocean.
  - Reviews in both countries highlight the need to engage industry earlier in the procurement process. Given the lack of critical mass in either country to maintain rolling production lines for capital items like ships, defence companies in both countries should consider discussing the procurement needs of their government and look to present their governments with cost-saving opportunities for cooperation between Canada and Australia. Cooperative procurement could generate savings for both countries.
- **Align agendas as agriculture exporters.** Canada should follow the Australian lead and remove tariff barriers from agriculture. Free trade in agriculture is the best way to improve food security.
- **Cooperate to act as secure suppliers of energy.** Canada should consider extending to its Asian trade partners guarantees similar to those contained in Article Six of the North American Free Trade Agreement as relates to the export of energy. Australia should consider extending similar guarantees.

## STRENGTHENING BILATERAL DEFENCE AND SECURITY RELATIONS: NEXT STEPS

This agenda for closer Australia-Canada defence and security cooperation builds on an already close relationship, albeit one that suffers occasionally from complacency, given the levels of comfort between the two countries, and a perception that distance makes cooperation difficult.

The good news is that the defence and military relationship is already well supported by a number of key annual meetings. As outlined by Australia's then Defence Minister Stephen Smith in September 2011: "We have agreed that from here on in we will have formal Australia-Canada Ministerial Bilateral Meetings on an annual basis. We will also have meetings of our Chiefs of Defence Forces on an annual basis and meetings of our defence officials at Deputy Secretary level also on an annual basis" (Minister for Defence 2011).

These three sets of senior meetings provide the right mechanism to drive the bilateral defence relationship.

Relations between foreign ministries, intelligence agencies, police, customs and immigration departments are vital to the broader security relationship, both at the strategic level and in specific functional areas. These relations, both at ministerial and official levels, should be intensified in a manner that complements the defence component. The recommendations in this report provide a suitable checklist for ministers and senior officials to benchmark progress in relations.

It should be noted, of course, that a closer and more active bilateral security and defence relationship and a more coordinated approach to East Asian engagement cannot be achieved without some cost. Expressed priorities must drive some investment decisions. While the cost of sustaining a more active bilateral relationship may not be that great, a bigger investment must come in the form of the time ministers and senior officials should devote to the relationship. The payoff from closer cooperation between Canada and Australia, two countries that pride themselves on their capacity for innovation and for practical achievements, could be enormous.

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## **APPENDIX 1: SOURCES OF TENSION IN THE ASIA-PACIFIC: STRATEGIC COMPETITION, DIVIDED REGIONALISM AND NON-TRADITIONAL SECURITY CHALLENGES**

*James Manicom*

### **EXECUTIVE SUMMARY**

There are a number of strategic challenges currently affecting the Asia-Pacific. In a period of global uncertainty, China has emerged as a confident and powerful actor, while the ability of the United States to remain the region's hegemonic power has come into question. Maritime boundary claims, regionalism and unresolved Cold War sovereignty disputes are sources of considerable uncertainty. A number of non-traditional security challenges are also emerging, including energy and food insecurity, cyber security and the threat of a climate catastrophe-related humanitarian crisis. Canada and Australia — resource-based economies with a record of bilateral and institutional engagement in the region, and important US allies — have an interest in these challenges, and in ensuring regional strategic stability that promotes economic growth.

### **INTRODUCTION**

The Asia-Pacific region is undergoing a strategic shift in a period of global uncertainty. China is emerging as a confident and powerful actor, while the United States is perceived as having diminished influence. The region's geography — a predominantly maritime continent composed of several semi-enclosed seas — means that the Asia-Pacific is afflicted with undefined maritime boundaries at a time of growing state interest in rent earned from the sea. Notwithstanding its status as the world's most economically vibrant region, the Asia-Pacific confronts a number of strategic challenges that are the source of considerable uncertainty.

These include:

- the rise of China and its active defence posture and military modernization;
- uncertainties surrounding the capacity and will of the United States to remain the region's hegemonic power;
- overlapping maritime boundary claims that direct regional military spending to naval capabilities;

- the increasingly competitive nature of regionalism and the inability of regional security architecture to build trust between states; and
- unresolved Cold War sovereignty disputes on the Korean Peninsula and across the Taiwan Strait.

The first two challenges will likely define the future of the Asia-Pacific and play out in the latter three challenges, as well as globally. Non-traditional security challenges are also emerging, including energy and food insecurity, cyber security and the possibility of a large-scale humanitarian crisis caused by a climate catastrophe. Canadian and Australian national interests will be affected by these developments.

### **THE RISE OF CHINA**

The first strategic shift that is affecting the Asia-Pacific is the rise of China and its concomitant foreign policy posture. Years of trying to assuage regional concerns about its rise have given way, since 2008, to a confidence that makes China less willing to tolerate perceived slights to its "core interests." Debates over China's rise have characterized the country as a revisionist rising power or as a state that owes its dramatic economic development to the liberal international system — it is both (Christensen 2006; Friedberg 2005). Beijing has downplayed its rise by characterizing it as "peaceful" while also emphasizing China's status as a developing country (Glaser and Medeiros 2007). Avoiding conflict with the United States remains China's overriding foreign policy priority as part of its strategy to create a peaceful international environment conducive to China's economic development (Swaine and Tellis 2000).

However, growth in Chinese material power has given way to a revised strategic outlook that still prefers to avoid confrontation, but is prepared to oppose perceived slights on issues that affect the rule of the Chinese Communist Party (CCP) (Heath 2012). Using an anti-Japan, anti-US narrative that draws on China's experience of exploitation at the hands of the West, the CCP has been able to tap into existing nationalist sentiments held by the Chinese people to legitimize its rule as the only party that can protect China from foreign interference, while ensuring continued economic growth (Gries 2004; Zhao 2004; Wang 2008). This nationalist narrative has become integral to the rule of the CCP as its growth model has shifted from a socialist one to a capitalist one (Esteban 2006; Dickson 2004). Combined with China's growth in material power, this narrative triggered revisions — towards a more assertive stance — of Japan policy in 2005 and towards "core interests" since 2009 (Gries 2005; Swaine 2010). Concern over China's rise relates to two issues: the pace of and lack of transparency in its military modernization and the perception that its pursuit of "core interests" could cause one of Asia's many territorial flashpoints to escalate.

Chinese defence spending has been steadily increasing at double-digit rates since the onset of China's economic reforms in 1979, despite being listed as the last of four priority areas. Yet, defence spending has been declining as a percentage of total government spending over the same period and spending on domestic security has exceeded declared defence spending since 2010 (Liff and Erickson 2013; Bloomberg News 2013). However, China is widely criticized for a lack of transparency in the allocation of its defence budget, in particular the fact that research and development is not part of the declared budget. Furthermore, the military has undergone a number of institutional and doctrinal reforms to allow the People's Liberation Army (PLA) to conduct "local wars under conditions of informationization" (Office of the Secretary of Defense 2012, 3). Despite Chinese assurances, the link between its growing defence budget and the military platforms it has purchased are a source of disquiet in the Asia-Pacific.

China's military strategy has traditionally been focussed on reclaiming Taiwan through an overwhelming surgical strike designed to coerce Taipei's surrender. China has deployed a number of short- and medium-range ballistic missiles to strike military targets in Taiwan, fourth-generation fighter aircraft to establish aerial superiority and diesel-powered submarines and modern destroyers armed with anti-ship cruise missiles to strike at American carrier groups. Procurement priorities lie with the PLA Navy, Air Force and Strategic Missile Force. Beyond Taiwan, successive defence white papers have stressed the "protection of China's maritime rights and interests" as a primary objective (State Council 2000; 2002). While China has settled most of its land-based territorial disputes, it is party to a number of disputes over islands and maritime zones in the South China Sea and the East China Sea. Importantly, the platforms purchased to dissuade US involvement in a Taiwan Strait contingency are similar to those required to pursue disputed maritime claims. Two developments in 2011 suggest that China seeks a military with a global reach, which is consistent with the status associated with a "great power." First, China's refurbished Ukrainian aircraft carrier underwent sea trials in August 2012 and the navy has been training with aircraft takeoffs and landings. Second, China deployed a frigate to the Mediterranean to rescue Chinese citizens from Libya in February 2013.

China has never tolerated slights to its territorial integrity, national development or internal political affairs. Selling arms to Taiwan, meeting with the Dalai Lama or supporting "separatist" activities have long been punished by Chinese condemnation, cancelled meetings and the downgrading of political ties. Since 2008, however, China seems more willing to use the instruments of its new-found material power to assert itself. This has included, but is not limited to, the deployment of its coast guard vessels to police its

claimed maritime jurisdiction, the application of informal economic sanctions, the encouragement of consumer boycotts and the use of the PLA Navy to send political signals to its neighbours. For some states, China has fulfilled the long-held prophecy that it would become a belligerent in the East and South China Seas when it had accumulated sufficient military power (Klare 2002, 109–137; Salameh 1995-1996; Chang 1996). In this view, China uses its civilian maritime agencies to assert its maritime jurisdiction and sovereignty claims in the South China Sea against Vietnam and the Philippines, and against Japan in the East China Sea. Cutting the cables of Vietnamese survey vessels, detaining fishermen and forcing the release of fishermen detained by rival claimants are some of its most provocative actions (Thayer 2011; Buszynski 2012).

Furthermore, there is concern over Chinese command and control and foreign policy decision making in the context of its more capable military. It is unclear which Chinese actions are based on calculations of strategic interest, which are motivated by domestic calculations and which occur outside of Beijing's control (Masuda et al. 2012). For instance, it is not clear whether the spate of incidents in East Asian waters in 2009–2011 was directed by Beijing, by local bureaucracies, including civilian maritime agencies, or some combination of both (International Crisis Group 2012). In March 2013, the National People's Congress took steps to consolidate four of China's coastal enforcement agencies into one ("Dragons Unite" 2013). There is also a risk that the CCP may be sensitive to domestic legitimacy concerns in the event of a foreign policy crisis. By virtue of the scope of China's domestic challenges and the CCP's nationalist legitimizing narrative, the Government of China may adopt a rigid posture for fear of domestic backlash.

These concerns have led to a dramatic reversal in regional perceptions of China's rise. It is widely understood that in the years since the 1997 Asian financial crisis, East Asian states steadily warmed to the positive aspects of China's emergence (Shambaugh 2004-2005). Since 2008, there has been a sea change in regional thinking best demonstrated by comments made by Philippine Foreign Minister Albert del Rosario to the *Financial Times*. Del Rosario stated that the Philippines would welcome "a rearmed Japan shorn of its pacifist constitution as a counterweight to the growing military assertiveness of China" (quoted in Pilling, Landingin and Soble 2012). This statement is a direct result of tensions in maritime East Asia and presents a dramatic departure from the received wisdom that Japanese security policy still evokes concern from the region it once tried to conquer.

## THE UNITED STATES: STILL THE HEGEMON?

China's behavioural shift has paved the way for the forthright and explicit reassertion of American hegemony in the Asia-Pacific. The US hub and spokes alliance system is widely regarded as a central pillar of regional stability. Based on bilateral military alliances with Australia, Japan, South Korea, Thailand and the Philippines and supported by defence agreements with Malaysia, Singapore and New Zealand, the US military presence deters would-be aggressors and provides the public good of secure sea lanes of communication (SLOCs) (Ikenberry 2004; Auer and Lim 2001; Van Dyke 2002; Dibb 2000). American regional hegemony has kept the Asia-Pacific stable since the end of World War II, despite concerns of growing instability caused by rising military spending, growing energy needs, disputed territories and unresolved historical legacies (Friedberg 1993-1994; Betts 1993-1994). In the wake of the 9/11 attacks, a perception grew that American preoccupation with the Middle East and the "war on terror" allowed China to pursue its regional interests more freely, although the US military presence in the region did not decline in real terms (Pempel 2008; Green 2008). The "rebalancing" announced by the Obama administration in 2011 is, thus, as much rhetorical and symbolic as it is substantive.

The rise of China and the bold reassertion of its maritime boundary claims present a considerable challenge to American regional hegemony, regardless of US efforts to ensure the emergence of a Chinese "responsible stakeholder" on global issues. Many American strategists believe that China's strategic shift in 2009 was a function of a calculation that the capacity of the United States to support its hegemony in the Asia-Pacific would collapse as a consequence of military overextension in the Middle East, and due to the financial concerns that arose following the global financial crisis (Manning 2013).

Recent events suggest growing Chinese dissatisfaction with the US military presence and diplomacy in the region. In March 2009, US government research vessels, including the USNS *Impeccable*, were confronted in China's exclusive economic zone (EEZ). In late 2010, China condemned American plans to deploy the USS *George Washington* to the Yellow Sea as part of war games aimed at North Korea (*Korea Herald* 2010). The Pentagon views these incidents, combined with the weapons platforms noted above, as part of an "anti-access, area denial" strategy to deny US forces access to regional seas (Office of the Secretary of Defense 2010). Achieving such an objective would allow China to assert itself with respect to Taiwan and maritime boundary disputes, without the prospect of US interference. In July 2010, then Secretary of State Hillary Clinton stated the US interest in peaceful resolution to territorial disputes and commitment to freedom of navigation at the Association

of Southeast Asian Nations (ASEAN) Regional Forum (ARF) (Clinton 2010). This statement reflects concern in Washington that China does not accept the basic principles of international maritime law that underwrite regional stability, in particular the freedom of navigation.<sup>1</sup>

This unease, combined with the Obama administration's view that its force posture was outweighed to the Middle East, have led to a firm and unapologetic reassertion of US power to reassure allies of America's commitment to the Asia-Pacific. In his address to the Australian Parliament in November 2011, President Obama stated unequivocally that "reductions in U.S. defense spending will not — I repeat, will not — come at the expense of the Asia Pacific" (Obama 2011). The visit followed 18 months of accelerated American diplomatic activity in the region, during which US senior officials articulated their interests in the region's maritime commons — navigational freedom and a peaceful resolution of disputes — and reassured Asian allies of America's continued commitment to maintaining its military presence in the region (Clinton 2011). Despite enduring skepticism about the United States' capacity to maintain its regional military posture in light of its economic problems, senior US officials have repeatedly stated that cuts to defence spending will not come at the expense of forward-deployed forces in the Asia-Pacific (Obama 2012; Bumiller 2011). Then Secretary of Defense Leon Panetta (2012) noted at the 2012 Shangri-La Dialogue that 60 percent of the US Navy would be stationed in the Pacific by 2020. In addition to the US commitment to supply seapower to the Asia-Pacific, there seems to be growing demand for its military presence in the region.

This growing demand for American power is a direct consequence of China's perceived aggression in regional maritime affairs since 2009. States once accused of accommodating or "bandwagoning" with China's rise, such as Vietnam and the Philippines, engaged in overt "external balancing" behaviour by seeking closer ties, or, in the case of the latter, security assurances from the United States. Chinese behaviour toward its claimed maritime boundaries elicited restatements of American security guarantees to the Philippines in 2011 and to Japan in 2010 and 2012. There is clearly still an appetite for US military power among East Asian states, although concern persists in Southeast Asia and South Korea that a balance must be maintained between the United States and China.

This reassertion of American primacy comes as Sino-US defence ties remain poor. Bilateral military contacts are impaired by US weapons sales to Taiwan, which undermine efforts to increase transparency between the two militaries. This has become a vital concern in light of recent crises, such as the *Impeccable* incident in March 2009 (Dutton 2010). Bilateral talks under the

<sup>1</sup> It should be noted that Vietnam, Malaysia and Thailand share the Chinese perspective on the legalities of military activities in the EEZ.



Maritime Consultative Mechanism are infrequent and the hotline between military officials is seldom used (Kan 2010). China holds greater interaction between the two militaries hostage to developments in the United States' Taiwan policy. It cancelled defence talks after the Obama administration sold weapons to Taiwan in January 2010. In September 2012, China unexpectedly and inexplicably refused to sign on to the Code for Unalerted Encounters at Sea developed under the auspices of the Western Pacific Naval Symposium. Nevertheless, efforts to engage China continue. China has been invited to the 2014 Rim of the Pacific Exercise and Australian naval forces have conducted joint training exercises with their Chinese counterparts.

The United States' rebalancing is an effort to strengthen the credibility of its regional security posture amidst domestic resistance to costly international engagement. The "rebalancing" is squarely located within a broader discourse of American engagement with the Asia-Pacific region over the long term in an effort to tie America's future with that of the Asia-Pacific (Green 2013). US leaders are quick to emphasize the economic dimensions of the rebalancing, embodied by the Trans-Pacific Partnership (TPP), as well as the political and humanitarian aspects (Kerry 2013; Donilon 2013). If Washington does intend to stay the course in the Asia-Pacific, however, it will increasingly rub against the preferences of a rising China and the risk of miscalculation in an increasingly crowded East Asian littoral will rise.

## **DISPUTED TERRITORIES AND MARITIME SPACE**

A third source of strategic instability is the existence of disputed maritime claims that direct rising regional defence spending to navy and coast guard platforms. The region boasts numerous overlapping maritime boundary disputes (see map), a product of the geographical makeup of East Asia, with numerous semi-enclosed seas, disputed claims to sovereignty over rocks and islands, and the widespread ratification of the United Nations Convention on the Law of the Sea (UNCLOS). The entitlement to make claims to maritime space is driven by the material importance of rent from the ocean in countries' national development goals, including oil, gas, minerals and fisheries exploitation. Also, as a function of oversights in the San Francisco Peace Treaty that ended World War II in Asia, the region is home to numerous territorial disputes over islands and rocks (Hara 2007). These issues are further exacerbated by the negative images many states hold of their territorial rivals as a result of unsettled historical grievances relating to perceived injustices suffered at the hands of other states. The political salience of nationalism in East Asia has hardened state postures, prevented accommodation between claimant states and even been a source of escalation. There is no better demonstration of

this than the efforts of conservative Japanese politician Shintaro Ishihara to provoke a crisis with China over the Senkaku/Diaoyu Islands by attempting to buy them on behalf of the city of Tokyo in 2012.

Since UNCLOS came into force in 1994, all East Asian states have become more interested in maritime space as a source of revenue for their national development goals. Asia leads the world in fish consumption and production, and in the number of people employed in fisheries industries, including aquaculture. Asia boasts 74 percent of the world's fishing vessels and China alone is responsible for 34 percent of global fish production (Food and Agriculture Organization [FAO] 2012, 3–12). Furthermore, according to the US Department of Energy, the South China Sea contains 190 trillion cubic feet of natural gas, the importance of which will grow as Asian economies look to gas to power their economies (Energy Information Administration 2013, 2). Natural gas plays an important role in a region afflicted with an acute sense of energy insecurity (discussed below) as states seek to diversify the location and type of energy they import (Vivoda and Manicom 2011). These disputes and economic interests create the rationale for a greater allocation of state resources on the military and on coastal enforcement vessels (Ball 1993-1994; Simon 2005). In particular, many East Asian states have fielded greater numbers of modern surface ships complete with advanced air-defence capabilities and technologically advanced war-fighting capabilities (Bitzinger 2009). Most troubling has been the dramatic rise in the number of submarines, particularly by South China Sea claimants like Vietnam and Malaysia. Furthermore, a number of states have invested considerable funds in the development of civilian coast guard authorities. While these "white-hulls" are nominally less provocative than their military counterparts, it should be noted that the bulk of the tensions at sea in the region have occurred when these civilian coast guards enforce maritime jurisdiction in contested areas. This includes the standoff between China and the Philippines at Scarborough Shoal in April 2012 and a number of confrontations between Chinese and Vietnamese vessels.

The proliferation of armed government ships at sea could be problematic for a number of reasons. First, and most obviously, maritime jurisdiction within maritime East Asia is generally contested, so all parties exercise maritime jurisdiction against those that claim the same right. Coastal states also differ over the degree of authority that can be exercised in coastal waters (Manicom 2010). Secondly, despite the growth in activity, there is little transparency between regional navies or coast guards, which has led to numerous confrontations on regional seas. It is thus only a matter of time before a maritime accident turns deadly, which risks escalation between claimant states and the possible involvement of the United States. Tragically, the



these governments may, in fact, have a political interest in the perpetuation of these disputes. Second, from a technical standpoint, multiple claimants, overlapping claims and regional geography complicate maritime delimitation in the Asia-Pacific. Not all South China Sea protagonists claim equal parts of the disputed area and some states differ on key aspects of UNCLOS itself (Valencia, Van Dyke and Ludwig 1997, 40–77). Third, regional states have only just begun to make extended continental shelf claims due to delays in UNCLOS processes and the technical difficulties of mapping claims. Given the 25-year backlog at the body that legitimizes these claims, the Commission on the Limits of the Continental Shelf, it will be some time before the full scope of East Asia's maritime claims are clarified.

## COMPETITIVE REGIONALISM

A fourth source of strategic instability is the increasingly competitive process of regionalism in the Asia-Pacific. Multilateral processes in the region have historically been seen as supportive of regional stability. The formation of ASEAN in 1967 kept the Cold War out of maritime Southeast Asia and the growth of both its membership and its dialogue partners is perceived by many as a source of stability during the 1990s (Acharya 2001). The creation of the ARF in 1994 created a venue for the discussion of regional security issues, like the South China Sea dispute, and is credited by some for keeping the peace (Haacke 2003). However, the seeds of competitive regional processes were sown by the region's growing optimism of an "Asian Century" and the collective hardship suffered as a consequence of Western policy recommendations after the 1997 Asian financial crisis.

This competitive regionalism occurs on two fronts. First, the primary strategic rivalry in the region, between China and Japan, has coloured the nature of ASEAN-centred trade expansion. Efforts to enlarge ASEAN-centred trade processes to include China, Japan and South Korea (ASEAN+3) have been affected by a contest for leadership from both countries. China and Japan advance distinct models of regionalism, with the former advocating a developmental regionalism that focusses on inclusive economic development, while the latter espouses a regulatory regionalism that seeks to standardize business and economic practice across states and regions (Wesley, 2007). In addition to these competitive proposals, China and Japan have been at pains to conclude separate bilateral trade agreements with ASEAN as a whole.

Second, there is a broader competition between Western-oriented pan-Pacific regionalism centred on the Asia-Pacific Economic Cooperation (APEC) forum and the ASEAN-centred regional processes embodied by ASEAN+3, the East Asia Summit and associated meetings. Although many of the participants overlap, there are a number of features that exacerbate existing regional tensions.

The trade talks under ASEAN+3 are reminiscent of the proposals advanced in the 1990s that excluded Western states in direct opposition to APEC. The APEC model toward trade liberalization remains far too ambitious for most East Asian states, which have decided instead to pursue ASEAN-centred trade pacts with different combinations of Northeast Asian states (Ravenhill 2010).

This competitive regionalism is exacerbated by the region's maritime boundary issues and by the growing Sino-US strategic rivalry. Chinese investment in ASEAN was a low-cost source of soft power for China during the first decade of the twenty-first century when contrasted against American neglect of ASEAN meetings. The United States, however, is aware that regional meetings are an important theatre of regional diplomacy, which is why American re-engagement with Asia began with the ratification of the Treaty of Amity and Cooperation in 2009. Furthermore, regional meetings have become staging grounds for diplomatic confrontations over Chinese activities at sea. In July 2010, then Secretary of State Hillary Clinton reminded the ARF that "legitimate claims to maritime space in the South China Sea should be derived solely from legitimate claims to land features" (Clinton 2010). Then Chinese Foreign Minister Yang Jiechi reacted angrily, calling the remarks an "attack on China" (Chinese Ministry of Foreign Affairs 2010). Cambodia, which occupied the rotating chair of ASEAN in 2012, was pressured by China not to include any mention of maritime tensions in the final communiqués of ASEAN-centred meetings.

Most recently, the TPP, an effort to deepen trade ties between Brunei, Chile, New Zealand and Singapore, has become caught up with regional power politics. Efforts to expand the agreement into a Pacific-wide trade area since 2008 have become controversial because the agreement's draft rules on regulations and on state-owned enterprises are seen to be deliberately aimed at excluding China (Yuan 2012). Beijing has, therefore, reinvested in trilateral trade talks with South Korea and Japan, and in the Regional Comprehensive Economic Partnership (which also includes ASEAN plus India, Australia and New Zealand) as alternatives to the TPP. There are, of course, limits to just how competitive regional processes need to be, given the overlap of partners in the TPP and the Regional Comprehensive Economic Partnership, but there is no doubt that regional economic prerogatives are driven as much by strategic considerations as by economic ones.

## THE COLD WAR CONTINUES...

Finally, a more remote source of strategic uncertainty is the fact that the Cold War remains unresolved in the Asia-Pacific. First, the Chinese civil war continues to be manifest across the Taiwan Strait and the role of the United States as de facto guarantor of Taiwan's independence continues to be an irritant in Sino-US relations, particularly when the



topic of weapons transfers arises. Despite Washington's commitment to Taiwan under the Taiwan Relations Act (TRA), US leaders have been trying to reign in excesses on both sides. For example, in 2003, Washington expressed displeasure with statements by Taiwan's pro-independence president, Chen Shui-bian (Lin and Snyder 2003). The election of Ma Ying-jeou in 2008 marked the beginning of a period of relative calm as both sides of the Strait focused on growing economic and social links between the two sides. However, the Chinese interpretation of the China-US "three communiqués" is one that foresees an eventual end of weapons sales to Taiwan, which sits at odds with the TRA. Therefore, although the Taiwan issue is not currently a pressing matter in regional security, there is no reason not to anticipate a resurfacing of tensions in time because the parties concerned still disagree about the end state of the status of Taiwan (Hickey 2013; Womack 2013).

Secondly, the division of the Korean Peninsula continues to be a source of tension that extends beyond the peninsula and rubs against the burgeoning US-China rivalry in the region. China was widely celebrated for its central role in driving the first Six-Party Talks on North Korean denuclearization in 2003. Subsequently, however, it tried to water down UN Security Council resolutions on North Korean missile and nuclear tests in 2006 and 2009 and has not enforced related sanctions. Perpetually on the brink of collapse, North Korea seems to have successfully transitioned power from Kim Jong-il to his son, Kim Jong-un, quite a feat given the factional divisions within the country. Despite talk of reform, there has been little deviation from the country's strategy of using its missile and nuclear programs to extract aid and other concessions from the international community. In early 2013, following a third nuclear test, Beijing seemed fed up with North Korea. It supported UN Security Council Resolution 2094 and was rumoured to slow trade with North Korea (Associated Press 2013). This is a marked turn from a year prior, when several senior Chinese leaders visited Pyongyang to show their support for Kim Jong-un. Beijing was also reluctant to criticize the North after it sank a South Korean frigate (the *Cheonan*), killing 46 sailors, and shelled Yeonpyeong Island, killing four, including two civilians. These two crises in 2010 serve as harsh reminders that tensions on the Korean Peninsula can escalate at any time. Following the February 2013 nuclear test, Washington took the unusual step of clearly restating its extended deterrent commitments to South Korea and Japan, including the symbolic decision to publicize B-52 and B-2 bomber flights over the Korean Peninsula. This comes amidst growing calls in both Korea and Japan for a re-examination of their respective nuclear postures. While these latest rounds of tensions could be little more than the sabre-rattling that typically follows the inauguration of a new South Korean president, Pyongyang's rhetoric seems particularly provocative. At the time of writing, it pledged to rebuild the Yongbyon reactor in an effort to produce

more fissile material, and is expected to conduct another ballistic missile test.

Both challenges, combined with the potential destabilization of the region's maritime boundary disputes, have led to a dramatic reorientation of Japanese security policy. North Korean provocations and, more recently, Chinese maritime activities near Japan have led to a modest increase in support for a loosening of the restrictions of the use of force by Japanese forces (Samuels 2007). US-Japan security relations have also been modified to reflect growing challenges in the Taiwan Strait and in the region in each successive restatement of their security guidelines. As a result, in the seven decades since it renounced the right to fight wars or engage in collective security operations, Japan has developed East Asia's most technologically advanced military, has participated in maritime security operations in the Gulf of Aden and off the coast of Afghanistan, and is the most important American ally in East Asia. The strategic challenges outlined above will continue to drive Japan's slow evolution to a "normal" military power, despite Japan's considerable economic and demographic challenges.

## NON-TRADITIONAL SECURITY CHALLENGES

In addition to these strategic-level threats, there are other sources of instability that directly affect the interests of regional states: energy and food insecurity, climate catastrophes and the emerging issue of cyber security (Dupont 2001). Asian countries are consuming increasingly vast amounts of energy every year, which, due to the region's relative poverty in primary energy sources, is met with imported supplies. The Asia-Pacific region consumes 39 percent of global energy, but has less than three percent of global oil resources and eight percent of global gas resources (British Petroleum 2012). In as much as Asian importers need access to sufficient energy supplies at affordable prices to ensure energy security and economic growth, the spectre of supply disruption is disturbing to policy makers (Yergin 1988, 111). Supply-side threats to Asian energy security are vast and can be divided into two categories: state-based threats and non-state threats. State-based threats include situations in which a state actor somewhere along the supply chain deliberately attempts to disrupt the flow of energy. These include politically motivated market manipulation by supplier states, naval blockade of SLOCs by a rival state (amidst a wider political crisis) or hoarding of supplies by another state. No less severe, non-state threats include disruption along the supply chain due to terrorist attack or piracy, natural disasters and demand fluctuations in energy-importing states. Problematically, although a growing number of East Asian states are net energy importers, the common interest in preventing a supply disruption to the region as a whole has not yet yielded the creation of institutional

mechanisms to mitigate supply-side threats. The shift to net importer status by Southeast Asian states also limits their capacity to act as sources of diversification for Northeast Asian states (Thomson 2006).

The Asia-Pacific confronts a number of sources of food insecurity, including declining agricultural production driven by the rapid urbanization and industrialization that is associated with economic development (Timmer 2012). Higher incomes triggered a shift from a diet based on carbohydrates and vegetables to one based on protein and fat. Protection of dwindling agricultural sectors has reduced food productivity in Asia, which led to price increases, and reduced access to affordable food among vulnerable segments of society, including the poor, children and the sick (UN Economic and Social Commission for Asia and the Pacific 2009, 8). Price spikes in global food prices after 2008, driven by higher input prices, including petrochemicals, and by the growing frequency of extreme weather events in fertile areas have exacerbated the problem.

Food insecurity is a man-made phenomenon, attributable to mismanagement of the agricultural sector, trade policy (protectionism), the energy sector (allocating farmland to biofuels) and the oil market, as well as inadequate responses to climate change. In a globalized economy, the solutions to these interrelated problems are necessarily multilateral. For instance, ASEAN+3 has a working group on food security and has taken steps to coordinate its rice reserves. In 2009, ASEAN developed a five-year plan of action on food security that facilitated coordination between agriculture ministries. There is, however, little coordination between these regional efforts and global organizations like the FAO (Su, Weng and Chiu 2009). APEC regularly holds meetings of its energy ministers and its Energy Working Group (EWG) is the only body where East Asian states that have strategic petroleum reserves can discuss their coordination: China's status as a non-democracy keeps it out of the Organisation for Economic Co-operation and Development and, by extension, the International Energy Agency. Indeed, the EWG holds regular consultations on matters designed to improve energy security in the Asia-Pacific region such as sea-lane security and the creation of a Pacific pipeline network (Ryan 2005, 299-300).

Food and energy insecurity are tied up with issues of how states mitigate and adapt to global climate change. A warming climate will exacerbate already poor agricultural conditions in some parts of the Asia-Pacific, while energy consumption patterns in the region may, in time, be influenced by renewable energy sources. Climate change has already had damaging effects on agricultural yields and fresh water levels across the region. The fact that East Asian populations and, by extension, their energy infrastructure, are concentrated on coastlines increases the likelihood that they will be damaged by the storms that

afflict the region. As a product of industrialization and urbanization, the material cost of natural disasters has more than doubled in the period between 1995 and 2004 compared to the 10 years prior in China, increased tenfold in Japan and ninefold in South Korea (Partnerships in the Environmental Management of the Seas of East Asia 2005). Natural disasters threaten energy security in two ways. They can cause price spikes, increasing the cost of energy, and they can damage infrastructure and limit the ability of governments to distribute energy, including electricity (Energy Security Study Group 2006, 10). This was tragically demonstrated by the earthquake and tsunami that struck Japan in March 2011.

East Asian states are embarking on climate change mitigation strategies. According to the World Bank, the bulk of these strategies focus on reducing energy intensity and investing in renewable energy (World Bank 2009, 6). Beyond energy policy, East Asian states seek to protect forests and ensure that the region's rapid industrialization occurs in a sustainable way (*ibid.*). Although criticized for its reluctance to accept binding emission reduction targets, China has, since 2005, launched several policy initiatives designed to improve energy efficiency and reduce energy intensity. Importantly, recent initiatives now reward local officials for implementing climate-friendly policies, in an important departure from the traditional incentive structure, which favoured greater economic growth as the primary criterion for promotion.

These mitigation efforts are likely a product of the marked increase in extreme weather events across the Asia-Pacific over the past two decades. The frequency of meteorological disasters in the period 2001–2010 increased 66 percent over the previous decade (Asian Development Bank 2012). In addition to high death tolls and the high costs of reconstruction, these events can also increase the number of people displaced, which in turn has implications for nearby cities and countries and the region as a whole. Low-lying areas like Bangladesh and the Philippines are particularly vulnerable, although most East Asian cities are in low-lying areas near the coast. It is thus unsurprising that US Pacific Forces commander Admiral Samuel Locklear recently described climate-related disruptions as the most probable security challenge in East Asia (Bender 2013). These problems are exacerbated by the poor adaptive capacity on the part of many East Asian states (Habib 2010). Higher population densities and lower incomes define those populations most vulnerable to climate-related disasters (Thomas, Albert and Perez 2012, 7). Low- and middle-income countries are more vulnerable to climate-related disasters because they lack the resources necessary to prepare for them, to provide prompt relief and rebuild afterwards. Vulnerability to disasters can be reduced by improving infrastructure and adopting modern building codes, as well as by



rationalized urban planning and improved modelling of shifting weather patterns.

The emerging issue of cyber security, and of Internet governance more broadly, presents a challenge to regional security as well. Revelations by a private security firm that cyber attacks on American businesses were traced to China has raised the profile of the issue by providing the most public attribution to China thus far (Mandiant 2013). Concerns abound that the United States and China may engage in some form of a “cyber arms race” unless rules and protocols are established. This comes at a time of growing international attention to the governance of the Internet as it relates to intellectual property, political freedoms and the security of critical financial and other infrastructure. This debate already seems to pit Western countries against authoritarian ones, reinforcing existing cleavages in the international system, as well as in East Asia. Multiple estimates place the Asia-Pacific as the leading place of origin for cyber attacks (French 2013).

These challenges risk overwhelming the crowded non-traditional security agenda in the Asia-Pacific region. Weak state governance in parts of Southeast Asia creates the opportunity for terrorists and transnational criminal networks to thrive. Simultaneously, counterterrorism activities have driven closer cooperation, for example, between Australia and Indonesia. Along with transnational crime, counterterrorism has also been part of Canada’s regional diplomatic strategy. For example, Canada chaired an ARF Inter-sessional Meeting on Counter-Terrorism and Transnational Crime in 2011 and continues to have dialogues on these matters with India and China. Human and drug smuggling, piracy and money laundering are also sources of concern and corresponding diplomatic activism by Canada and Australia.

## **CONCLUSION**

These sources of strategic tension raise a number of policy challenges for Canada and Australia. Both are resource-based economies with a track record of bilateral and institutional engagement in the Asia-Pacific, and both are key US allies. They therefore have an interest in the regional strategic stability that allows economic growth to flourish. As stable sources of energy, minerals and agricultural products, economic synergies exist between Canada, Australia and the region that could help alleviate regional energy and food pressures in the Asia-Pacific. Canada and Australia are both concerned about non-traditional security issues and have made addressing these a key component of their regional diplomacy. The climate pressures described above may, in the future, exacerbate issues of human migration. Finally, given the region’s centrality in global supply chains, the deterioration of any of the challenges noted above presents a grave threat to the global economy. Although Canadian and Australian

regional strategies are characterized by a number of differences that relate to the countries’ distinct historical and cultural backgrounds, as well as their proximity to the United States, there is considerable scope for cooperation on strategic challenges in the Asia-Pacific that should be explored in depth and fully maximized (Asia Pacific Foundation of Canada 2012; Manicom and O’Neil 2012).

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## **ABOUT THE AUTHOR**

James Manicom joined CIGI as a research fellow in August 2012. He is an expert in East Asia, the Arctic and global security, with a specialty in maritime issues. James holds a B.A. in international relations from Mount Allison University and an M.A. and Ph.D. in international relations from Flinders University in Australia.

An interest in military history contributed to James' focus on global politics and security. During his undergraduate studies, he shifted from history to a contemporary study and analysis of international relations, war, peace and stability. While living in China in 2002 and in Australia from 2004 to 2009, James became interested in modern Asian history and security issues, leading to a specialization in Asia-Pacific maritime issues.

Prior to joining CIGI, James studied in Tokyo at the Ocean Policy Research Foundation through a Japan Foundation fellowship. He also taught international relations at the Canadian Forces College, where he still teaches occasionally, and Flinders University. He held a Social Sciences and Humanities Research Council of Canada post-doctoral fellowship at the Balsillie School of International Affairs and remains affiliated with the Asian Institute in the Munk School of Global Affairs at the University of Toronto. James continues to serve as a member of the executive of the Toronto branch of the Canadian International Council.

James' current research focusses on ocean governance and China; it explores the country's changing interaction with the rules and institutions that govern international behaviour at sea. At CIGI, James is contributing to the development of the Global Security Program and working on research projects that explore Arctic governance and East Asian security.



## **APPENDIX 2: TRANSNATIONAL CHALLENGES AND FUTURE SECURITY COOPERATION: THE AUSTRALIA-CANADA RELATIONSHIP**

*Sarah Norgrove*

### **EXECUTIVE SUMMARY**

The possibilities for future Asia-Pacific security cooperation between Australia and Canada are promising. Economic development and population growth mean that security challenges present themselves as opportunities. Australia and Canada are well positioned to influence regional approaches to transnational challenges such as crime, terrorism, piracy and environmental degradation, and to contribute to food, energy and cyber security. The two countries can expand the remit of their existing intelligence-sharing arrangements, regional relationships and norm-building activities to form an integrated response to contemporary Asia-Pacific security conditions. Their regional presence can be expanded and sustained through an approach that builds on their mutual capacity for flexibility, innovation, communication and transparency.

Australia and Canada are active players in the Asia-Pacific, contributing goods and services, opportunities for investment, expertise and strong institutions to the region. They are also, in many ways, on the periphery of Asia. Both countries are geographically removed from the region and do not share the cultural history of many countries in the Association of Southeast Asian Nations (ASEAN) or East Asia. Also, they have been slow to engage with the region, as security, defence and development policy in both countries has been geared towards Europe and the United States.

Australia has made progress in bridging this gulf in the past few decades. It has developed its trade interests, and improved cultural awareness and language education. Australia has also displayed a more sustained interest in the region, particularly since China's economy opened up under Deng Xiaoping, the chief architect of China's economic reforms during the 1980s. Canada, likewise, has expanded its development and peacekeeping interests in the region, and has offered its services in diplomacy and trade, including workshops with the Canadian International Development Agency on South China Sea disputes. However, over the past decade, ASEAN has noted a lack of meaningful engagement from Canada, which has impeded Canada's acceptance in the region as a player in Asia-Pacific's growth.

### **INTRODUCTION**

Australia and Canada are aligned by way of colonial history, their camaraderie in wartime, their European culture and their similar development trajectories.

With the Asia-Pacific region becoming a major hub of global development and growth, and the potential for conflict and security challenges to cause major disruption, it is in the interests of both Australia and Canada to deepen their engagement with each other and with the region. At present, this engagement exists in defence and security cooperation, through trade and the sharing of ideas, information and technology. This paper explores the current state of security cooperation between Australia and Canada in the Asia-Pacific, and identifies opportunities to extend the relationship, focussing on collaborative efforts like economic and maritime cooperation, which may help tackle transnational security challenges.

### **THE AUSTRALIA-CANADA RELATIONSHIP IN THE ASIA-PACIFIC**

The national foundations of Australia and Canada are comparable: they were established on frontier values after invasion and conflict with indigenous peoples. Both countries have: acquired wealth through primary industry and export-driven economies; colonial roots; relatively small populations per square kilometre of country; and a solid factor of migration from the Asia-Pacific.

Australia's population was set to reach 23 million by April 2013. Canada's population was over 34 million in 2011 and is projected to hit 35 million in 2013.

In 2009, over half of the world's population lived in the Asia-Pacific region. Canada and Australia are two of the top 10 destinations for global migrants. Since 1993, over half of all immigrants to Canada have come from Asia (Figure 1); in 2006, this accounted for 2.3 million people.

Australia and Canada provide Asia with a substantial amount of natural resources (Figure 2). Australia is a primary exporter of raw materials to Japan and China. Canada's work in exploiting its unconventional gas reserves has been mirrored in the United States, and both seek to enhance their energy export capacity.

Canada has traditionally supplied gas to the United States, but it also supplies China and Japan. Given that US gas reserves and supply have outstripped demand, the United States no longer relies as heavily on Canada for its supply. This means that Canada and the United States are both looking for new markets and buyers for their excess

energy reserves. The security of this energy supply will be of premium concern to all stakeholders.

Canada and Australia share a common economic interest in the rapid expansion of nuclear energy in the Asia-Pacific, as well as the common goal of ensuring that this expansion is peaceful, secure and safe. Both countries are major exporters of radioisotopes to states in the region. Canada has concluded lucrative nuclear reactor sales in Northeast Asia and South Asia, and Australia exports uranium oxide to China, Japan and South Korea, and is negotiating an agreement to supply it to India.

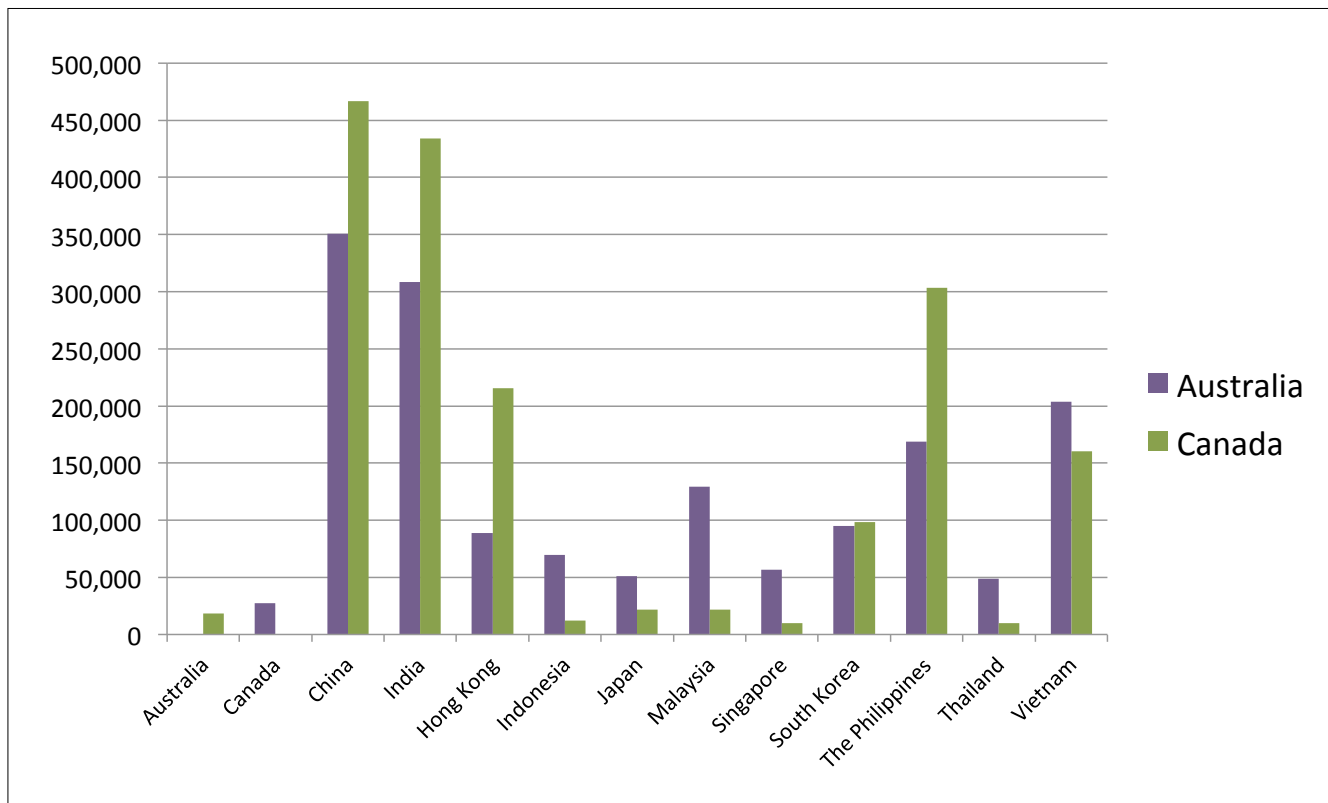
Australian uranium production provides an estimated 11 percent of world uranium supply. In 2008-2009, uranium oxide comprised about 35 percent of Australia's energy exports, reaching a value of over AUS\$1.1 billion.

Production problems at Olympic Dam<sup>1</sup> from late 2009 into 2010 set production back, and the Fukushima nuclear reactor accident in Japan in March 2011 softened prices, but the industry remains strong.

Australia is a preferred uranium supplier to East-Asian markets, where demand is growing most rapidly. Key markets for Australian uranium oxide are Japan (2,500 tonnes per year), South Korea (1,500 tonnes per year) and China (about 500 tonnes per year). The World Nuclear Association asserts that Australia could readily increase its share of the world uranium market because of its low-cost resources and its political and economic stability.

1 The Olympic Dam project in northern South Australia mines copper, uranium, silver and gold. The mine has since been expanded, but encountered production problems and questions regarding resource taxation, which decreased production and export volumes beginning in October 2009. For more information on the Olympic Dam see Gavin Mudd's 2010 report, available at: <http://users.monash.edu.au/~gmudd/files/ODam-Cu-only.pdf>, and "Australia's Uranium" (2013), World Nuclear Association, available at: [www.world-nuclear.org/info/Country-Profiles/Countries-A-F/Australia/](http://www.world-nuclear.org/info/Country-Profiles/Countries-A-F/Australia/).

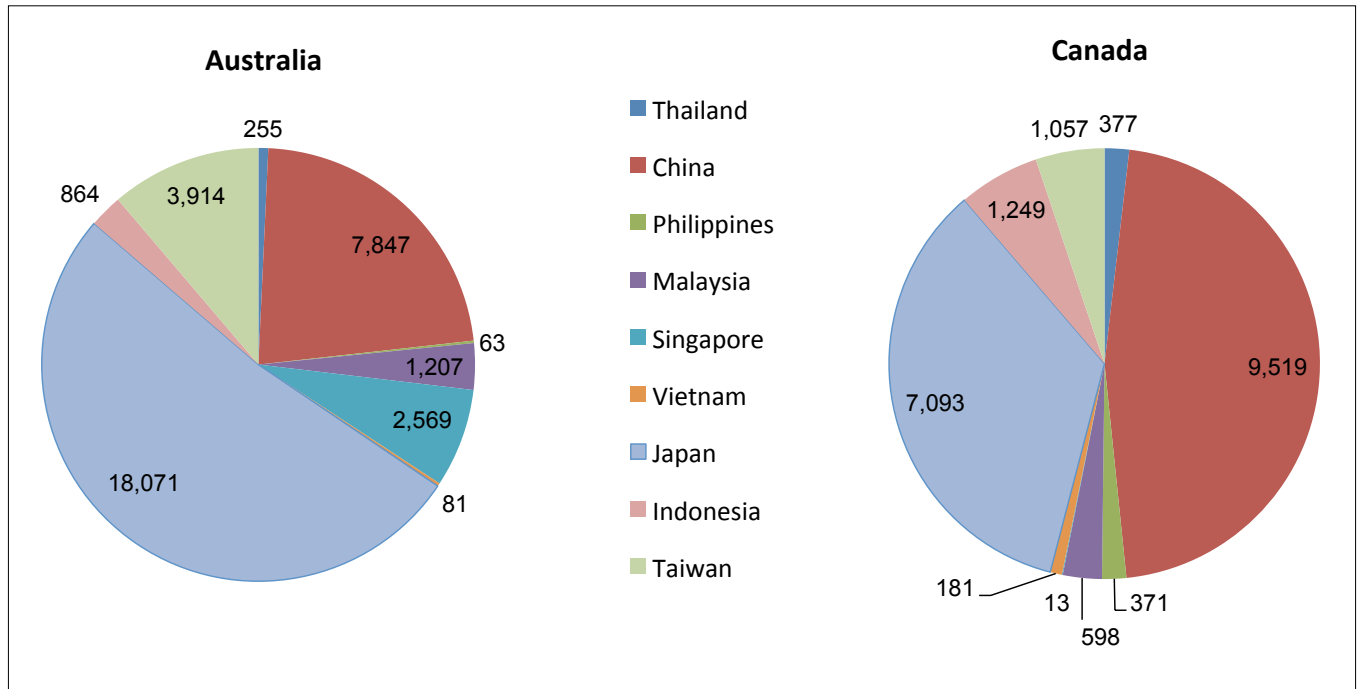
Figure 1: Asian Migration to Australia and Canada in 2006



Data sources: Industry Canada and Australian Bureau of Statistics.

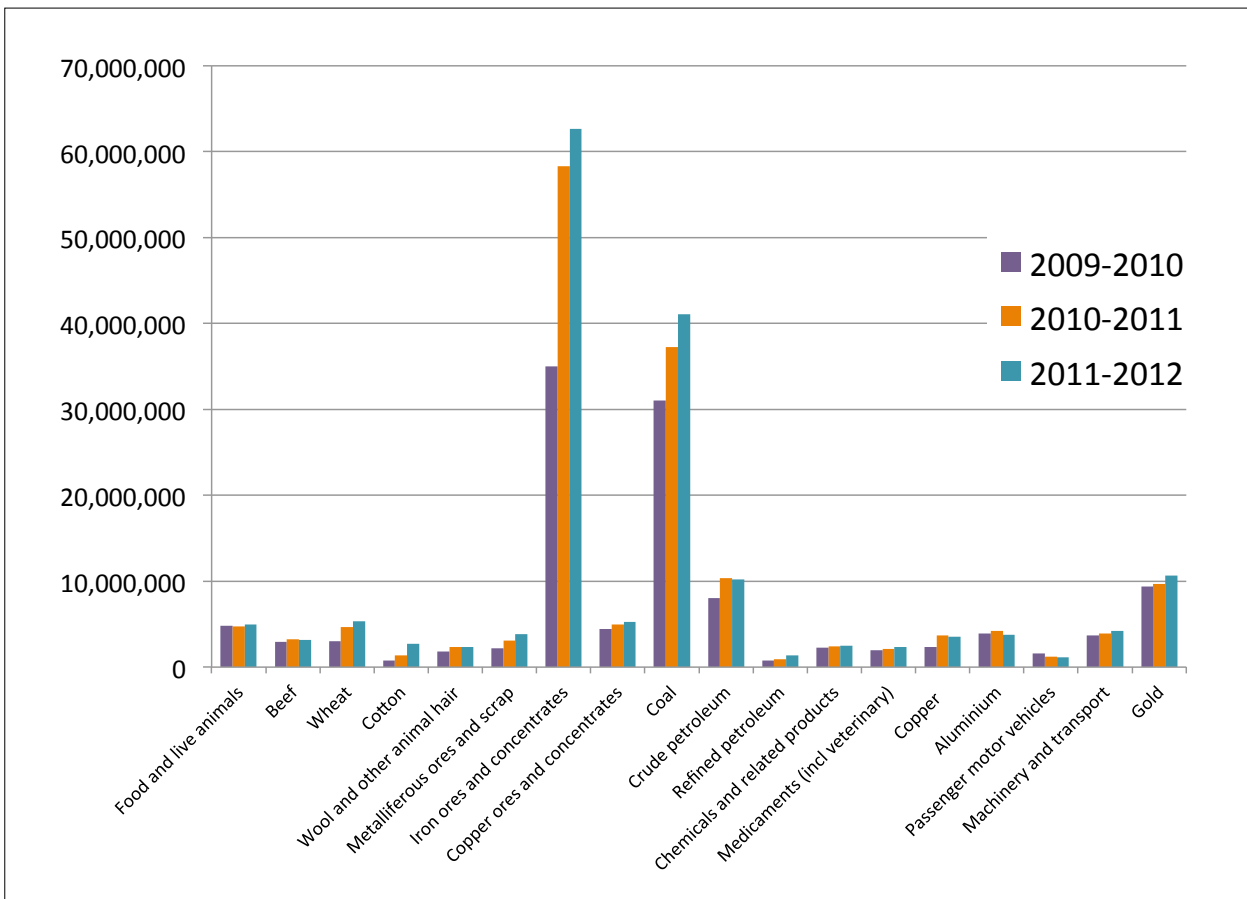


Figure 2: Raw Materials and Petrochemical Exports (2009–2012) in AUS\$'000



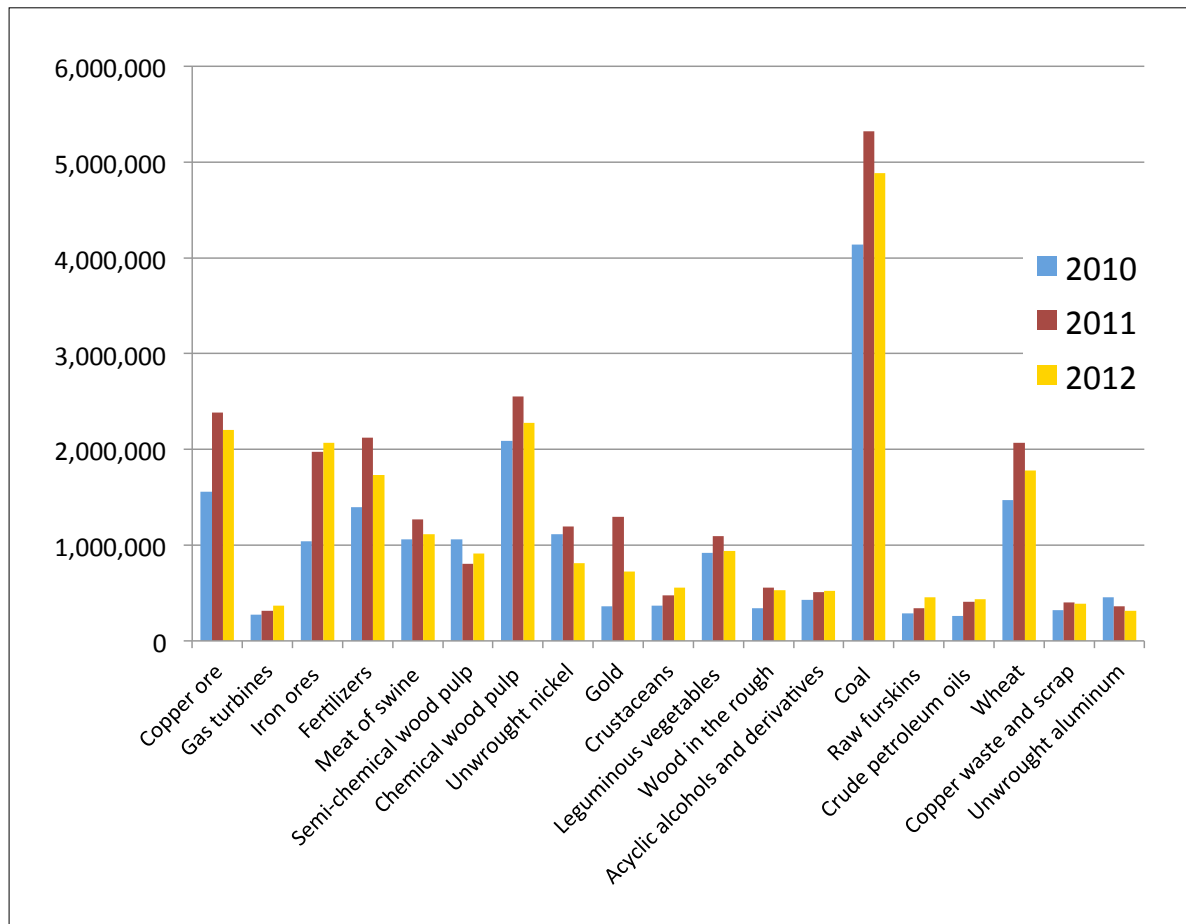
Data sources: Industry Canada and Australian Bureau of Statistics.

Figure 3: Australia's Exports to Asia: Selected (2009–2012) in AUS\$'000



Data source: Australian Bureau of Statistics.

Figure 4: Canada's Exports to Asia: Selected (2010–2012) in CDN\$'000



Data source: Industry Canada.

Australia and Canada have also established strong trade bilaterally, having signed their first trade agreement in 1931. Australia's trade with Canada in goods and services has shrunk by almost three percent since 2006, but has been steadily improving since 2011. Canada is Australia's eighteenth-largest merchandise trading partner (AUS\$3.62 billion). In 2005, Australia's merchandise trade with Canada consisted of AUS\$1.9 billion in imports and AUS\$1.8 billion in exports.

Canada and Australia are both world leaders in the natural resources sector. Sector differences notwithstanding, their economies are similar and comparable to those of other industrialized countries. Mining and resources are strong features of their trade with Asia, where other agricultural commodities are lacking (figures 3 and 4). Canada's coal exports to Asia trump Australia's by a small margin, but Australia's coal exports are increasing (Figure 3). The scope to expand in the food commodities and agricultural sectors has also been a feature of trade and investment dialogue between Australia and Canada, most visibly in agricultural reform through the Cairns Group forum, a coalition between agricultural sectors from Latin America,

Asia and Africa. Both Canada and Australia can further capitalize on a growing Asian commodity market.

Asia has become the linchpin of Australia's natural resource export market. In 2011, of Australia's AUS\$263.5 billion in goods exports, the Asia-Pacific Economic Cooperation (APEC) took AUS\$208.1 billion and ASEAN AUS\$26.8 billion. Australia's trade in natural resources is markedly increasing. Investment from Asia in the mining sector is also growing, commensurate with increasing demand from the region. Foreign direct investment (FDI) in Australia's mining industry accounts for a quarter of all industry investment. China has become Australia's largest overall trading partner and its biggest customer in iron ore, copper, wool and cotton, with gas demands growing exponentially. Minerals and resources account for more than 80 percent of China's \$AUS10 billion FDI in Australia. Australia's exports have a high share of commodities, which works when prices are high, but makes it more vulnerable to price fluctuations than Canada. Canada's share of trade in the global commodities economy is greater than Australia's, so profits are still boosted considerably even when there are slight increases in terms of trade.

Australia and Canada grant each other preferential tariff rates on a limited range of products agreed to under the Canada-Australia Trade Agreement, established in 1960 and amended in 1973. However, the agreement predates the multilateral trading system, and has been superseded by tariff reductions achieved by negotiation in the World Trade Organization.

Approximately 2,000 Australian businesses either export to, or operate in, Canada every year. In May 2012, the Australian Industry Group and its Canadian counterpart, the Canadian Council of Chief Executives, released a joint statement of 11 recommendations for enhancing the bilateral trade and economic relationship with Canada. It was designed to enhance top-performing Australian exports, including wine (AUS\$255 million); nickel ores (AUS\$220 million); medicaments, including veterinary, (AUS\$62 million); and lamb, mutton and goat meat (AUS\$45 million). Companies exporting to Canada include food processors (Capilano Honey and Burns Philip); food retailers (Bakers Delight); consumer products retailers; packaging (Amcor); software (Mincom, Adacel and Keycorp); tourism (Wotif.com and Flight Centre); financial services and processing (Macquarie Infrastructure and Computershare); and mining (Ashton Mining and BHP Billiton).

Canada's investment in Australia was worth US\$25 billion in 2011, a 34 percent increase from 2010. Australia's investment in Canada rose to US\$43 billion, an increase of 16 percent. Large Canadian investors in Australia include Placer Dome, Alcan, Nortel and McCain Foods. Other well-known Canadian companies in Australia are Air Canada, Royal Bank of Canada and CAE.

The Australia-Canada Economic Leadership Forum extends and expands on the relationship between the Australian Industry Group and the Canadian Council of Chief Executives. Companies involved in the forum include Macquarie Group, Viterra Inc., BHP Billiton, Brookfield, Barrick, Rio Tinto Alcan, Air Canada, ATCO Group, Bombardier, SNC-Lavalin, Norton Rose, Cameco, Stikeman Elliott, Paladin Energy, TMX Group and Transfield Services. Government sponsors include the Australian and Canadian governments, and Export Development Canada. The Canadian-Australian Chamber of Commerce and Trade works to facilitate investment between the two countries.

## AUSTRALIA AND CANADA IN ASIA-PACIFIC REGIONAL SECURITY ARCHITECTURE

The Asia-Pacific regional security architecture is more than the sum of its parts. It is multi-dimensional, has expansive scope and advances normalized political, trade and military relationships within the region. Parties, countries and economies in Asia and the Pacific engage through

formal and informal mechanisms to work for the region's greater security and prosperity.

The region is geographically extensive and culturally diverse. Its security architecture has been described as unnecessarily complex and overextended in dealing with transnational issues of such depth and breadth. The growing integration of formal and informal echelons of government and militaries are, in fact, necessary to address the unique set of security challenges that face the region. For example, government and industry are interested in ensuring a stable platform for trade and investment in energy, and the logistics of supply cross into the realm of civil and military operations.

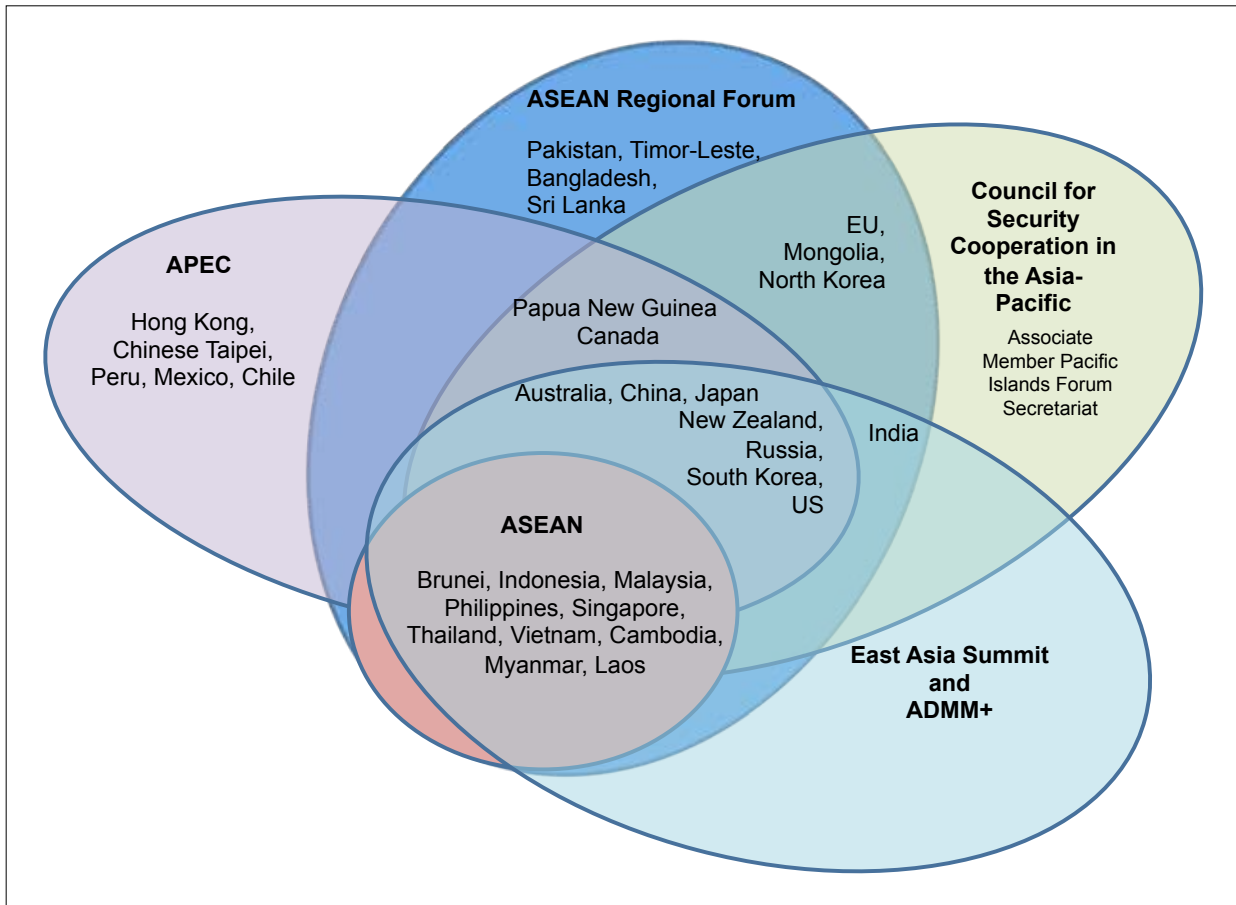
Both Australia and Canada operate meaningfully within the region without being party to ASEAN (Figure 5). They engage in the ASEAN Regional Forum (ARF), APEC and the Council for Security Cooperation in the Asia-Pacific (CSCAP), and Australia is a member of the East Asia Summit and the ASEAN Defence Ministers Meeting Plus (ADMM-Plus). According to Surin Pitsuwan of ASEAN, the door to Canada's place in the East Asia Summit has not closed completely: sustained and meaningful activity in the region will be appreciated in the next round of considerations (Clark 2012). ASEAN considers Canada's application for the ADMM-Plus "active" and is looking to engage Canada in non-material military and security issues such as cyber security, counterterrorism and disaster relief.

APEC is the premier Asia-Pacific economic forum. It works to streamline investment, trade and business best-practice regimes, including human resources management and implementing International Organization for Standardization standards. APEC has 21 members, including Australia and Canada (both joined as founding members in November 1989). The members account for approximately 40 percent of the world's population, 55 percent of world GDP and 44 percent of world trade.

Australia's total trade with APEC accounted for AUS\$431.5 billion in 2011 (70 percent of Australia's total trade in goods and services). Total two-way trade between Canada and APEC grew by 3.5 percent from US\$725.6 billion in 2010 to US\$750.9 billion in 2012.

APEC is moving further into the realm of transnational security. Regions are becoming the referent object of security for APEC initiatives in agricultural biotechnology, resource security, resource sustainability, growth models, energy, inclusive growth, climate goals, emergency preparedness, cross-border privacy, data security and counterterrorism.

Figure 5: Asia's Regional Security Architecture — Where Australia and Canada Fit



Data sources: Australian Department Foreign Affairs and Trade and ASEAN.

The Services Trade Access Requirements are one of the ways APEC is creating regional business norms to encourage further investment and trade liberalization. Australia funded the first phase of the rollout in 2010, addressing five service sectors in five economies: financial services; mining and energy services; professional services; telecommunications; and transport and logistics. Phase 2, jointly funded by Australia and APEC, was completed in 2011 and expanded to cover 11 APEC economies: Australia, Canada, Indonesia, Japan, Korea, Malaysia, New Zealand, the Philippines, Singapore, Thailand and the United States. In 2012, Phase 3 rolled out to cover all APEC economies and three new services sectors — education, distribution and information technology.

APEC is also working with ASEAN to develop green initiatives in energy, urban planning, food security and ecology. The APEC-ASEAN meeting in March 2013 had a sustainable industry focus, as did the APEC meeting in Medan, Indonesia in June 2013.

The Asia-Pacific Business Advisory Council (ABAC) is a permanent high-level business advisory group created by the APEC forum in 1995 as a direct channel for business input into the APEC work program. ABAC brings together

three senior business executives from each APEC economy who advise leaders and ministers on priority concerns for the private sector in the areas of trade and investment liberalization and business facilitation. ABAC meets three times a year to develop its report and recommendations to APEC, which then delivers it to APEC leaders at their annual meeting.

To carry forward the work program for 2013, ABAC has established working groups covering regional economic integration; sustainable development; small, medium and micro enterprises and entrepreneurship; finance and economics; and the ABAC Action Plan and advocacy.

ABAC's recommendations are conveyed to APEC governments through APEC senior officials, finance ministers, trade, small and medium enterprises, and directly to APEC economic leaders at the annual dialogue with APEC leaders.

The ARF was conceived at an ASEAN ministerial meeting in 1993 after the need for political and security dialogue between regional economies was identified. The ARF came into being in 1994 to contribute towards confidence building and preventive diplomacy in the

Asia-Pacific region. Its regional economies include Australia, Bangladesh, Brunei Darussalam, Cambodia, Canada, China, North Korea, the European Union, India, Indonesia, Japan, the Lao People's Democratic Republic, Malaysia, Myanmar, Mongolia, New Zealand, Pakistan, Papua New Guinea, the Philippines, South Korea, Russia, Singapore, Sri Lanka, Thailand, Timor-Leste, the United States and Vietnam.

The ARF hosts track one dialogue between policy makers and security, defence and national security officials. It hosted 19 meetings in 2011 and 2012, including workshops on prevalent transnational issues such as disarmament, proxy actors in cyberspace, disease detection, non-proliferation and confidence-building measures.

The Australian White Paper 2003 and Canada's International Statement 2005 touch on the role of the ARF in ensuring prosperity and stability. The ARF is moving towards transnational issues and national security with a large maritime focus second only to those of the East Asia Summit and the ADMM-Plus.

The ADMM-Plus has been described as the optimal configuration for dealing with Asia-Pacific regional security issues. It has also been called "an acronym to watch," as its remit accounts for a substantial section of the region's contemporary transnational security issues. All ASEAN states are members of the ADMM. Australia became a member of ADMM-Plus in 2010, alongside the United States, China, India, Japan, South Korea, New Zealand and Russia. While Canada's application is still pending, its outlook is promising. There are five working groups charged with implementing findings and resolutions from the ADMM-Plus summits.

ADMM-Plus has made ASEAN central to its tenure — this arrangement suits many, but not all, of the member states. It also meets once every three years (the core ADMM meets annually). While the issues the ADMM-Plus addressed in its inaugural summit were limited, they represented salient challenges for the region (humanitarian and disaster relief, military medicine, counterterrorism and peacekeeping). There is also time and momentum to extend the ADMM-Plus mandate to include other features of Asia-Pacific security, such as non-proliferation, human movement and maritime trade logistics.

At a meeting in Seoul in November 1992, representatives from 24 strategic studies centres from 10 countries in the Asia-Pacific (Australia, Canada, Indonesia, Japan, South Korea, Malaysia, the Philippines, Singapore, Thailand and the United States) decided that the region needed more structured non-governmental processes to address security issues. The CSCAP was formally established at a meeting in Kuala Lumpur on June 8, 1993, and now has 21 full members: Australia, Brunei Darussalam, Cambodia, Canada, China, the European Union, India, Indonesia,

Japan, North Korea, South Korea, Malaysia, Mongolia, New Zealand, Papua New Guinea, the Philippines, Russia, Singapore, Thailand, the United States and Vietnam and one associate member (the Pacific Islands Forum Secretariat).

The CSCAP's study groups are vital to track two policy briefs. Ongoing projects include Countering the Proliferation of Weapons of Mass Destruction (WMD) in the Asia-Pacific (co-chaired by US CSCAP and CSCAP Vietnam), and the Export Controls Experts Group, which is a subgroup of the Study Group on WMD. CSCAP is now looking forward to consolidating its links to the ARF and starting on a track 1.5 dialogue to deal with transnational security challenges.

There has been a trend among Western analysts and practitioners in recent years to dismiss the ARF and CSCAP as "talks shops" that have little concrete impact on security building in the Asia-Pacific. This attitude is becoming less prevalent, as a number of CSCAP and ARF initiatives have proven to be constructive, especially in the areas of export controls, non-proliferation and counterterrorism. Southeast Asian scholars and practitioners tend to offer a more balanced critique of ARF and CSCAP, recognizing the important role that they play in norm building and agenda setting, but expressing frustration about the overly complex structure of the security architecture in the region, which places heavy demands on state capacity, often leading to "meeting fatigue" among officials.

## MULTILATERAL DEFENCE AND SECURITY COOPERATION

Australia and Canada's bilateral defence cooperation dates back to the 1940s when, as John Blaxland (2013) details in his forthcoming paper, they signed formative material agreements for artillery, expertise, goods and services.

Today, they take part in multilateral and plurilateral defence cooperation in the Asia-Pacific, the nature of which reflects the changing face of security challenges in the region. Both Australia and Canada bring sophisticated expertise and equipment to bear, and go far in socializing international norms and reciprocity into defence exercises in which they take part.

Most multilateral defence exercises are naval, taking place within the US Pacific Command and Rim of the Pacific Exercises (RIMPAC) regional configurations. Much of the focus of these exercises is now on transnational issues, including disaster relief and humanitarian aid.

Non-military exchange consists primarily of intelligence and data sharing through the United Kingdom-United States of America Agreement (UKUSA). Canada, Australia and New Zealand have collectively addressed Asia-Pacific issues within the United Nations through the



Canada-Australia-New Zealand group to deliver greater bargaining power and to more effectively represent shared interests.

Maritime activity in the Asia-Pacific region is growing, with more civil and military engagement from more countries than ever before (see Figure 6). It is an arena where actors can build reciprocity and trust, but also engage with regional challenges and, in doing so, integrate into the region’s strategic and security architecture.

The Western Pacific Naval Symposium (WPNS) is a forum for naval professionals, which aims to increase naval cooperation in the Western Pacific by providing a venue for discussions on professional issues, generating a flow of information and opinion, leading to common understanding and potential agreements.

There are currently 20 full members: Australia (1987), New Zealand, Brunei Darussalam, Papua New Guinea, Cambodia, Philippines, Canada (2010), South Korea, Chile, Singapore, China, Russia, France, Thailand, Indonesia, Tonga, Japan, the United States, Malaysia and Vietnam. There are currently four observers: Bangladesh, Mexico, India and Peru.

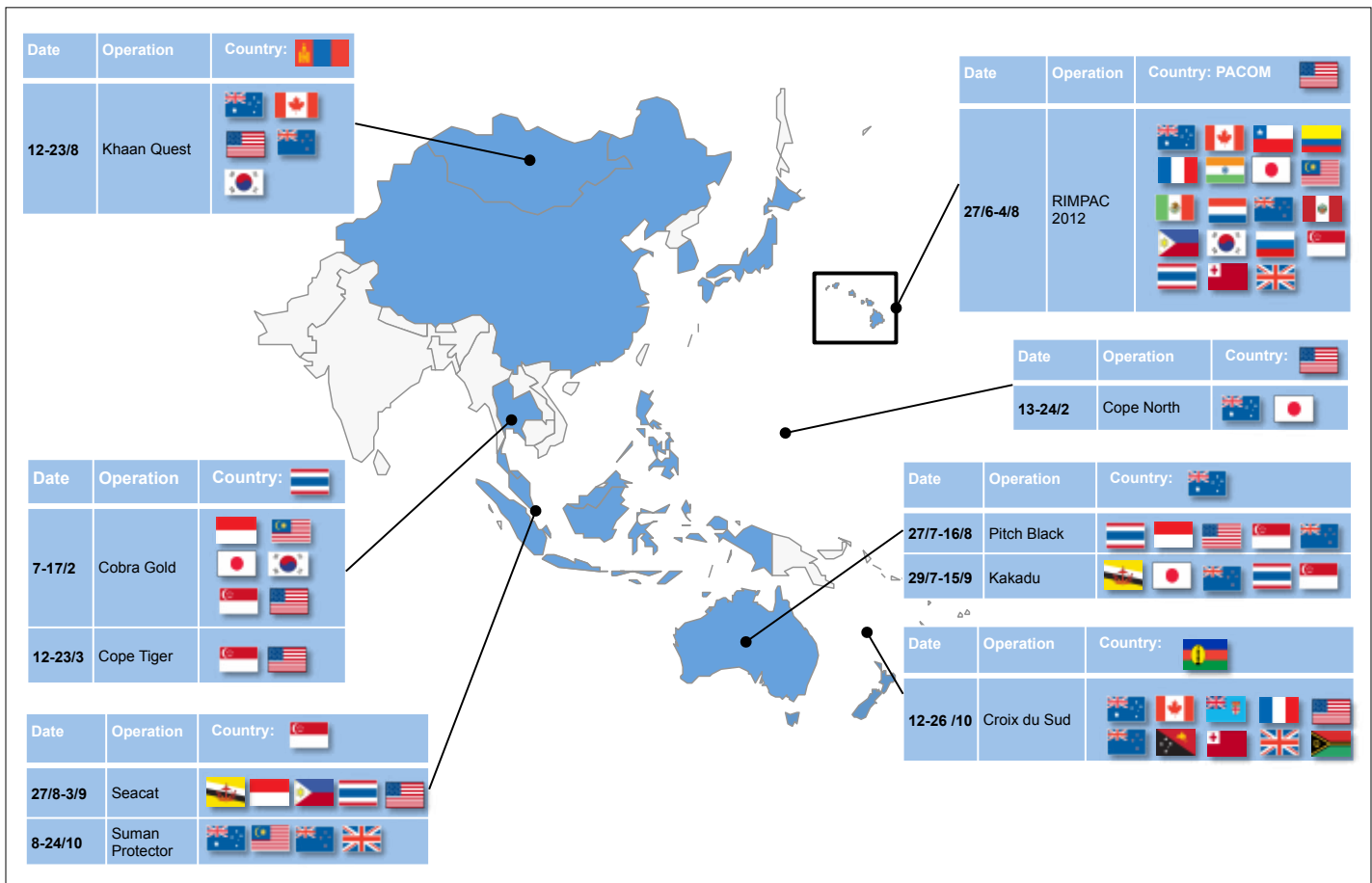
The WPNS has long been concerned with the threats posed by non-state actors. Seminal papers<sup>2</sup> presented by Singapore in the early 2000s presented a “whole-of-government” approach to the issues of piracy, transnational crime and terrorism.

Australia proposed the development of a maritime information exchange directory that would provide guidance on what information navies should request and how that information should be provided to them. Recently, Australia proposed the development of an interoperability matrix, outlining the equipment each navy could make available for humanitarian assistance and disaster relief, search and rescue, and mine countermeasures. This will be incorporated into the maritime information exchange directory.

Australia was tasked with developing what became the Code for Unalerted Encounters at Sea. The code was

2 These papers include the published work of the Singaporean Ministry of Defence featured in the *POINTER* journal in the early 2000s, particularly Lim (2007).

Figure 6: Selected Military Training Exercises Asia 2012



Data sources: Department of Defence, ASPI and High Commission of Canada.

presented at a workshop in South Korea in April 1998 and later endorsed by the naval chiefs for voluntary adoption by members and any other navy. The United States sponsored the development and promulgation of a simple *Tactical Signals Manual* for use by all WPNS members.

At the fourth symposium, hosted by Malaysia in 1994, the WPNS continued to examine non-military security issues. That meeting included maritime security, rescue at sea and environmental issues, including the prevention of sea pollution. Interestingly, the WPNS avoided examining confidence-building measures and developed the cooperative approach to issue identification through the chiefs' symposiums and the work programs that would be produced during these meetings. Recently, the WPNS has also examined humanitarian assistance and disaster relief.

In 1997, the WPNS acknowledged transnational small munitions challenges to regional security, particularly in Southeast Asia. Australia proposed cooperation on mine countermeasures, an initiative that was significant for the positioning of mine countermeasures as a common naval capability, leading to a joint exercise hosted in Singapore and Indonesia in June 2001, involving 16 countries, 15 ships and 1,500 personnel. The program included mine-hunting and minesweeping operations, mine countermeasures, diving, sea riding and medical exchange programs.

Singapore and Indonesia hosted expanded exercises in the Singapore Strait and off the Indonesian island of Pulau Bintan that involved 18 countries, 20 ships and 1,600 personnel. In addition to the 2001 elements, these exercises included: combined maritime explosive ordnance disposal training; live mine disposal charge firings at sea; and shore-based training on formation minesweeping tactics. In December 2005, Australia hosted an international mine countermeasures seminar in Sydney.

The Proliferation Security Initiative (PSI) was launched by US President George W. Bush in May 2003 at a meeting in Kraków, Poland. There are currently 98 nations involved in the initiative, including Australia, Canada, the Philippines, Cambodia, Vanuatu, Samoa, Papua New Guinea, Brunei Darussalam, Japan, South Korea and New Zealand.

The aim of the PSI is to establish internationally recognized guidelines to reduce WMD proliferation worldwide. It also seeks to test the authority and capability of PSI partner nations to interdict WMD-related materials.

Naval exercises under the auspices of the PSI move to underwrite security in the face of transnational challenges. In August 2005, a multinational maritime interdiction exercise — Exercise Deep Sabre — was conducted in Singapore as part of the PSI. Launched at the Changi Naval Base and conducted in the South China Sea, the exercise involved some 2,000 personnel from the military, coast guard, customs and other agencies of 13 countries,

including Australia, Canada, Japan, Singapore and South Korea.

In June 2009, the North Korean vessel *Kang Nam*, which was suspected of being en route to Myanmar, turned around after being tracked by the US Navy. Under a PSI activity in the same year, two Japanese men and one Korean man were arrested for trying to import WMD technology to Myanmar. Under the PSI in June 2011, the North Korean vessel M/V *Light* was intercepted by the USS *McCampbell*, after being suspected of transporting missile technology to Myanmar.

## TRANSNATIONAL CHALLENGES AND FUTURE SECURITY COOPERATION

### THE TRANSNATIONAL NEXUS

Transnational security issues in Asia are complex, interconnected and multi-dimensional, requiring cooperation that originates largely from existing security platforms (the police and defence forces) — what Alan Dupont (2001, 7) calls “extended security.” These issues also call for an integrated approach with civil institutions, with common goals for security and prosperity. This requires having faith in neighbouring states' strength of governance and the quality of their civil societies.

There is more cross-jurisdictional dialogue taking place with ASEAN states on transnational security, but it is not commensurate with intraregional cooperation. It is here that vertical engagement with key civil institutions can generate action on maritime security, territorial disputes and cyber security. It can also prepare the ground for cooperation on challenges that will have consequences for the future — the geopolitics of energy, environmental degradation and maritime security — on a smaller, incremental and sustainable scale. Public policy and educational institutions in Australia and Canada are world-renowned and respected. Historically, they are successful exports to Asia and can be marketed in fresh ways to engage the region on prospective challenges.

To garner such faith is a big leap, but not impossible. In ASEAN and its progenies (the ARF and East Asia Summit), proximity and cultural history transcend post-colonial fears of national dissolution and long-standing political differences. This means that the region can pursue its shared interests in prosperity, stability and security, despite diplomatic and domestic challenges.

Civil institutions, corporations and government ventures are an effective combined force in addressing transnational challenges in the Asia-Pacific. Australia and Canada can make meaningful contributions to helping this allied force and encourage collective efforts for a genuine shift

towards a favourable regional security environment. Both countries can help tackle Asia's transnational challenges through research, development, private innovation and small-scale initiatives to create better interoperability between military and civil apparatuses. Their strong maritime presence can facilitate humanitarian and disaster relief cooperation, expand confidence-building measures, and help uphold and consolidate international norms. Conservation programs, technical innovation and the development of maritime protocols and port security and safety will be strong, well-placed and timely contributions. Australia and Canada's respective responses to cyber threats can be coupled with converging regional networks to enhance fighting crime and cyber security.

Looking ahead, Australia and Canada will want to enhance trade with the Asia-Pacific region. Goods and services will trade in an environment resting heavily on the geopolitics of energy exports (coal, oil and gas), amid the degradation of air quality, fish stocks and agricultural ecology. Opportunities exist to cultivate a favourable regional economy using the combined strength of their civil, diplomatic and military mechanisms.

## MARITIME SECURITY

Maritime cooperation in the Asia-Pacific is already facilitating broader and deeper engagement of extra-regional powers. Existing activities such as RIMPAC, WPNS and even PSI have the scope to expand their Asia-Pacific mandates. Naval exercises, disaster relief, peace, humanitarian and stabilization operations generate reciprocity and normalized military approaches to transnational security challenges. Trust and familiarity can help mitigate misunderstandings at sea. Canada and Australia would have a meaningful place in a combined trans-state and multiagency approach to transnational crime.

The Australian Civil-Military Centre heads the Multiagency Peace and Stabilisation Operations Project. The project helps identify maritime realms in which Australia can engage to provide confidence-building and pragmatic transnational responses to conflict and disaster. The Australian Maritime Safety Authority has put forward a Regional Technical Cooperation Strategy for 2012–2015 to modernize services in marine safety, marine environment protection, and maritime and aviation search and rescue, without overlapping on ASEAN's or APEC's remit.

Australia and Canada already cooperate in the Asia-Pacific through naval exercises. The WPNS is a model for development in harmony with the flux of the regional security environment. Importantly, it addresses transnational challenges through a cooperative rather than a confidence-building approach. For example, the joint training on mine countermeasures led by Australia embodies an integrated approach to a regional problem.

There is room for arrangements like WPNS to better engage with civil agencies such as coast guards to meet transnational challenges to Asia-Pacific maritime security.

Australia-China joint maritime exercises look to solid yields as both confidence-building measures and security measures for prospective transnational challenges.

Asia's sea lines of communication (SLOC) are the arteries of the region's growth, and the logistics of energy security feed the region's overarching prosperity. SLOC falls under both maritime and energy security, and it is here that Australia and Canada can put forward a regional approach to managing the safe passage of goods through the region. This can be achieved by acknowledging existing approaches to SLOC security and looking to expand or build on them to ensure cooperation and burden-sharing in the seas of the Asia-Pacific region.

There are track two mechanisms in place to facilitate this move. CSCAP and the International SLOC Group have the capacity to focus on the importance of maritime cooperation and SLOC protection issues. Current members of the SLOC Group include Australia, Canada, India, Indonesia, Japan, Malaysia, New Zealand, the Philippines, Singapore, South Korea, Taiwan and the United States. Conferences and publications by both organizations address the role of the United States in SLOC security (particularly in the Malacca Strait), and how other states and institutions can pursue a more active role. Informal mechanisms such as this can work with regional civil society and geostrategic advisory groups to identify points of contention and importance, and outline strategies for future security while eschewing the pressure of more formal mechanisms. Databases and workshops as embodied by APEC's Secure Trade in the APEC Region program would provide a strong basis for addressing such issues.

## CYBER SECURITY AND COUNTERTERRORISM

Cyber security and counterterrorism are priorities in contemporary Asia. Data sharing is a realm where stakeholders across state and industry can and do work together for effective solutions. The UKUSA or "Five Eyes" intelligence-sharing arrangement involving Canada and Australia has served member states well through wartime, and in identifying and mitigating terrorism and transnational criminal activity. The computer emergency response team (CERT) approach to cyber security and the plethora of symposiums in Asia to coordinate the fight against cybercrime and enhance data protection show that actors are willing to engage on this issue through a synthesis of government and industry interests. If Australia and Canada wish to integrate further in Asia, promoting data-sharing arrangements such as these may prove useful.

APEC has funded the STAR database, an Australian initiative co-sponsored by Chile, Japan, New Zealand, the Philippines and the United States, to provide regional businesses with a forum for exchanging information pertaining to investment. The economies covered include Australia, Chile, Indonesia, Japan, South Korea, Malaysia, New Zealand, the Philippines, Singapore, Thailand and the United States. The STAR initiative looks at growth industries that are vital to the security of the region, including banking and insurance, mining and energy, transport and logistics, telecommunications and professional services (legal, accounting, architecture and engineering). In future, the STAR database could expand to include other forms of data sharing — for example, it could also be used as a template for open-source information sharing in the Asia-Pacific in the areas of transnational security, in conjunction with civil groups.

The UN Office on Drugs and Crime has developed a special intelligence-sharing mandate to tackle transnational security issues in the Asia-Pacific. The Global Synthetics Monitoring: Analyses, Reporting and Trends (SMART) Programme was launched in Bangkok in September 2008, and expanded to Latin America in 2011. Currently, the SMART Programme provides capacity building to 11 countries in East and Southeast Asia.

Australia and Canada could look to integrate these global frameworks and create a plurilateral platform for intelligence sharing and civil-military cooperation on transnational crime and security concerns. By its nature, cyber security is jeopardized by the fast transfer of data, which necessitates the use of networks that can ultimately be infiltrated. The challenge to stay ahead of cybercrime perpetrators could be better met with pooled resources.

Addressing human smuggling and the small-arms black market in Asia would be easier if there was a better understanding of the results of unequal distribution of wealth, radicalization, arbitrary borders and the pressure for unified nationhood. The Australian Federal Police established the Transnational Crime Coordination Centre in 2002 to tackle terrorism, illicit drug trafficking, people smuggling and high-tech crime. The centre has recently launched a Pacific wing, and has the scope to develop an Asia wing. A recalibrated regional nexus of intelligence sharing with Australia and Canada at the Asia-Pacific helm will help not only to identify non-state actors engaging in transnational crime, but also to investigate and prosecute them.

Canada and Australia are primary destinations for displaced people, refugees and asylum seekers. In 2011, the Australian High Commissioner in Canada floated a cooperative approach to human smuggling with the Standing Committee on National Security and Defence of the Senate of Canada, which would cover law enforcement, burden sharing and a regional framework including the

UN High Commissioner for Refugees and the International Organization for Migration.

The Global Counterterrorism Forum, co-chaired by Australia and Indonesia, directs working groups in Southeast Asia that deal with radicalization and counter-radicalization. It looks at how to integrate civilian operations into drafting and applying best practices in dealing with terrorism. Recently, it involved the ASEAN Secretariat, Brunei Darussalam, Cambodia, East Timor, Laos, Malaysia, Papua New Guinea, the Philippines, Singapore, Thailand, Vietnam and the United Nations in its latest working group meeting on youth radicalization. There is room for Canada to become an active member of the Global Counterterrorism Forum and to help develop its remit through data exchange and partnerships with other institutions sharing a regional transnational security mandate.

## LOOKING TO THE FUTURE

Trade is the key to Australian-Canadian regional engagement. While trade with Asia is at an all-time high, there is a need for market diversification away from natural resources exports. Canada's Minister of Foreign Affairs, John Baird, has focussed discussions on China, Canada's second-largest trading partner, and other markets in Asia. Canada doesn't have any formal trade arrangements in Asia, despite its accession to the ARF. It has the capacity to capitalize on its nascent potential. It is not part of the East Asia Summit, but is looking to enter the Trans-Pacific Partnership, and Australia is supporting Canada's application. Australia and Canada can diversify their markets and output to Asia in order to shore up stronger and deeper trade. Natural resources are important, but expertise, technology and normative experience are also in high demand.

Australia's proximity to Asia and its trade infrastructure naturally gear it to Asia, although, as is also the case for Canada, the United States remains a primary trading partner. Canada is a primary stakeholder in the Asian Development Bank and part of the Cairns Group, which is pressing the World Trade Organization to meet agricultural trade liberalization stipulations necessary for free trade. This illustrates a relationship between markets and security; food security for Asia rests on access — the ability to provide affordable goods in adequate proportions to all people.

The Regional Comprehensive Economic Partnership was launched by ASEAN with its trading partners, and those partners accounted for AUS\$356.4 billion in trade with Australia in 2011 and 70 percent of its goods and services exports. Canada could look to establishing trade arrangements of this nature. Canada and Australia could also influence the Free Trade Area of the Asia-Pacific mandate of APEC to be more advantageous to trade in



natural resources, and to help APEC economies develop to a standard of readiness.

Environmental degradation is a prominent source of insecurity in the Asia-Pacific. The effects of climate change and direct manipulations of ecosystems are jeopardizing food and water stocks for a growing regional population. Unsustainable farming practices, deforestation and water redirection may reap short-term benefits in damming and yield, but cannot continue on their current trajectory if regional prosperity is to be assured in the medium to long term.

APEC is working with ASEAN to develop green initiatives in energy, urban planning, food security and ecology. APEC-ASEAN meetings in March and June 2013 covered these issues. Workshops to develop green infrastructure will enhance member governments' sustainable construction capabilities. Despite the Australian government downsizing aid expenditure in 2012 for the Asia-Pacific region, the Australian Council for International Development, the Australian Agency for International Development and the Department of Foreign Affairs and Trade continue to work in the region to bring about a safer, more prosperous region through ecological management best practices. These forward-thinking projects bring together industry and government for sustainable development.

Australia and Canada have demonstrated their commitment to food security in Asia. Civil society institutions have advanced their commitments to sustainable enterprise, despite governments renegeing on Kyoto commitments. The two countries can promote their technical expertise in ecologically sustainable projects and put forward their respected institutions to be used as hubs for exchange, facilitation and the provision for such projects.

The Asia-Pacific Partnership on Clean Development and Climate is putting forward a number of initiatives in 2013, including the Carbon Sequestration Leadership Forum, the "Methane-to-Markets" Partnership, the Renewable Energy and Energy Efficiency Partnership and the International Partnership for the Hydrogen Economy. Australia's existing role in the Asia-Pacific Partnership would be strengthened by Canada's interest in the partnership. Australia's research into sustainable maritime ecology and agricultural practices look to the future of food and resource security, alongside smaller innovations such as water filters for water security in remote communities. The Food Aid Convention (Australia and Canada are members) is working in Sub-Saharan Africa to improve food security. Ventures such as these would function well in the Asia-Pacific region. Canada has a large stake in Asia's food supply, with trade set to increase as FoodEx Japan forges ahead on trade with Agriculture and Agri-Food Canada. Australian food policy leans toward net food export, and

targets Asia predominantly with China's niche demands for Australian products growing. Food security issues are not, however, limited to food supply.

Agricultural output from Australia and Canada is vital to food security, but the two countries also enhance security through innovation and expertise in science and technology. Their contributions address not only agricultural yield, but also practices to sustain output, conservation to preserve stocks and alternative forms of energy to combat environmental degradation. Australia's contribution to agricultural science is most prominent in China, where it is both industry-led and government-led through the Australia-China Joint Science and Technology Commission. Australia is also involved in ecological fish stocks conservation in the waters of East Asia. In addition, it provides Singapore, South Korea, Taiwan, Japan and India with technology and expertise to reduce carbon emissions, some of which is sponsored through the International Science Linkages Program.

Australia and Canada do not currently have an official science and technology agreement, but collaborate unofficially in more than 700 agreements spanning industry and government. The Australian Centre for Social Innovation is well placed to establish and direct a track two-style approach to the effective application of science and technology to Asia-Pacific transnational security challenges.

Australia's and Canada's public policy, education and institutions are highly sought after in the Asia-Pacific. ASEAN states have looked to tap into the prestige of Australian and Canadian tertiary institutions through student exchanges and scholarships, and through bureaucratic training in policy and normative conduct. The Crawford School at the Australian National University and the Australian Defence Force Academy are prime examples of training and education services that are in high demand in the Asia-Pacific. Courses are offered to foreign personnel and public servants in arts and policy studies, with the objective of equipping them with the tools and knowledge necessary to increase productivity and capacity in economics, diplomacy, strategy and security. It is no accident that the National Security College works closely with both the Crawford School and the Australian Defence Force Academy.

The Australian government has already marketed education as a commodity in Asia, and has been successful in eliciting investment and demand. Education was Australia's fourth-largest export industry in 2004 at US\$3.5 billion. It is here that industry-led initiatives should also be acknowledged and harnessed if possible. The International English Language Testing System Program has hubs all over the Asia-Pacific, in about 50 countries in the region.



Ministers, parliamentarians, senior officials and defence and security officials engage in political-military talks and foreign policy discussions that incorporate transnational issues in the Asia-Pacific. Senior and distinguished economist Kevin Lynch has spoken at the Canada-Australia Public Policy Initiative about the importance of a reliable public service in turbulent times. A forum with this fast-paced industry dynamic could be extended to facilitate regional outcomes on security objectives.

## FINDINGS

The possibilities for future Asia-Pacific security cooperation between Australia and Canada are promising. There are some areas where Canada and Australia are already established within the region; there are others that have scope for improvement and others that require some human and economic capital investment.

Economic development and population growth mean that security challenges present themselves as opportunities. Australia and Canada are tapping into the growing appetite for energy, resources and investment in Northeast Asia, and there is room for both countries to improve their trade relations in this area. Canada and Australia can put forward a regional approach to managing the safe passage of goods through the region. This can be done by acknowledging existing approaches to the security of SLOC, and looking for ways to build on them. Canada and Australia could influence the free trade area of the Asia-Pacific mandate of APEC to be more advantageous to trade in natural resources.

Australia's and Canada's public policy and educational institutions are world-renowned and respected. They are, historically, successful exports to Asia, and can be marketed in fresh ways to engage the region on prospective challenges. Innovation and technology cooperation can be the most benign and empowering methods of engagement. Given that these are areas of international expertise for both countries, it makes sense to join forces on these fronts in the Asia-Pacific. Both countries have shown their commitment to food security in Asia. They can promote their technical expertise in ecologically sustainable projects and could use their respected institutions as hubs for exchange, facilitation and the provision of such projects.

Transnational security challenges in Asia are complex, interconnected and multi-dimensional. They require cooperation through existing and new security platforms and "extended security" arrangements. They also call for an integrated approach with civil institutions, with common goals for security and prosperity. Australia and Canada are well positioned to influence regional approaches to transnational challenges such as crime, terrorism, piracy and environmental degradation. Both nations could look to integrate existing global frameworks

to create a plurilateral platform for intelligence sharing and civil-military cooperation on transnational crime.

The CERT approach to cyber security and the plethora of symposia in Asia to coordinate the fight against cybercrime and improve data protection show that actors are willing to engage on this issue, which provides opportunities for Australian-Canadian leadership.

The challenges that face Canada and Australia engagement in a credible manner in the Asia-Pacific region lie with their perceived staying power. Maritime cooperation in the Asia-Pacific, for example, is already facilitating a broader and deeper engagement of extra-regional powers. While suspicions may exist that Australia and Canada are only in Asia because of its economic growth, naval exercises, disaster relief and peace, humanitarian and stabilization operations generate reciprocity and normalized military approaches to transnational security challenges go some way to establishing the character of Asia-Pacific engagement from Australia and Canada in the road ahead.

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## APPENDIX 3: CLOSER AUSTRALIA-CANADA DEFENCE COOPERATION

*John Blaxland*

### EXECUTIVE SUMMARY

This paper examines the prospect and utility of closer defence cooperation for both Canada and Australia. It reflects on commonalities and like-mindedness, particularly as they concern regional security and stability in the Indo-Pacific. Forward-looking measures are presented for Canadian and Australian defence policy makers to capitalize on each other's strengths and similarities. A visionary understanding of the two countries' shared heritage and common interests is called for, but Canada has to demonstrate how serious it is about engagement in the region. Cooperation could enhance both countries' ability to engage in the region, their mutual defence capabilities and their engagement with the great powers. With this in mind, closer bilateral engagement should be considered in three areas: bolstering regional engagement, cost-saving measures and enhancing engagement with great powers.

### WHY CLOSER COLLABORATION?

Australia and Canada have an enduring interest in making a positive ongoing contribution to security and stability in the Indo-Pacific.<sup>1</sup> They're equidistant from the strategic hotspots of Northeast Asia (Figure 1). They're close, even intimate, treaty allies of the United States and supporters of the rules-based global order known as the Pax Americana established in the aftermath of World War II, most visibly through institutions such as the United Nations and backed by US military power. They also have similarly sized and structured armed forces, employing uncannily comparable equipment and repeatedly contemplating many of the same operational deployments and equipment acquisition decisions, ranging from fighter aircraft to armoured vehicles, weapons and communications systems, warships and submarines.<sup>2</sup> For a long time, both countries' armed forces have tended to follow trends initiated from Britain or the United States. But increasingly, with Britain and the United States taking a more constrained role in security affairs, Canadian and Australian officials are finding themselves the more vocal of the traditional English-speaking security partners. Finding themselves agreeing on a number of issues has caught some by surprise. Yet they have long had much in common, and the shared understanding and altered circumstances are pointing to

a renewed interest in collaboration and cross-pollination to enhance regional security and stability.

Like Australia, Canada has a significant and distinctive legacy of involvement in the security affairs of the Indo-Pacific, although for many years that legacy has been obscured by Canada's focus on trans-Atlantic security ties through the North Atlantic Treaty Organization (NATO). Both have an enduring obligation, through the United Nations, to the defence of South Korea.

With Northeast Asian trade booming, Canada's economic centre of gravity has been shifting westward toward the "Far East." With a pipeline from Alberta to Canada's west coast being considered, trade with Asia is expected to jump, generating a natural lobby for even greater engagement. Together with mounting security concerns, and with its closest security and trade partner, the United States, undertaking a "pivot" or "rebalancing" toward Asia, there is legitimate renewed Canadian interest in security engagement in the Indo-Pacific region, which has often been seen more as Australia's than Canada's domain when it comes to defence and security.<sup>3</sup>

From Australia's perspective, concern remains that the Canadian government has shown little real interest in "pivoting" to the Pacific in this way. Such a move would take considerable political capital to effect, and the current Canadian government under Stephen Harper has tended to direct much of its "strategic" thought inwards, focussing on ensuring short- to medium-term political gain.

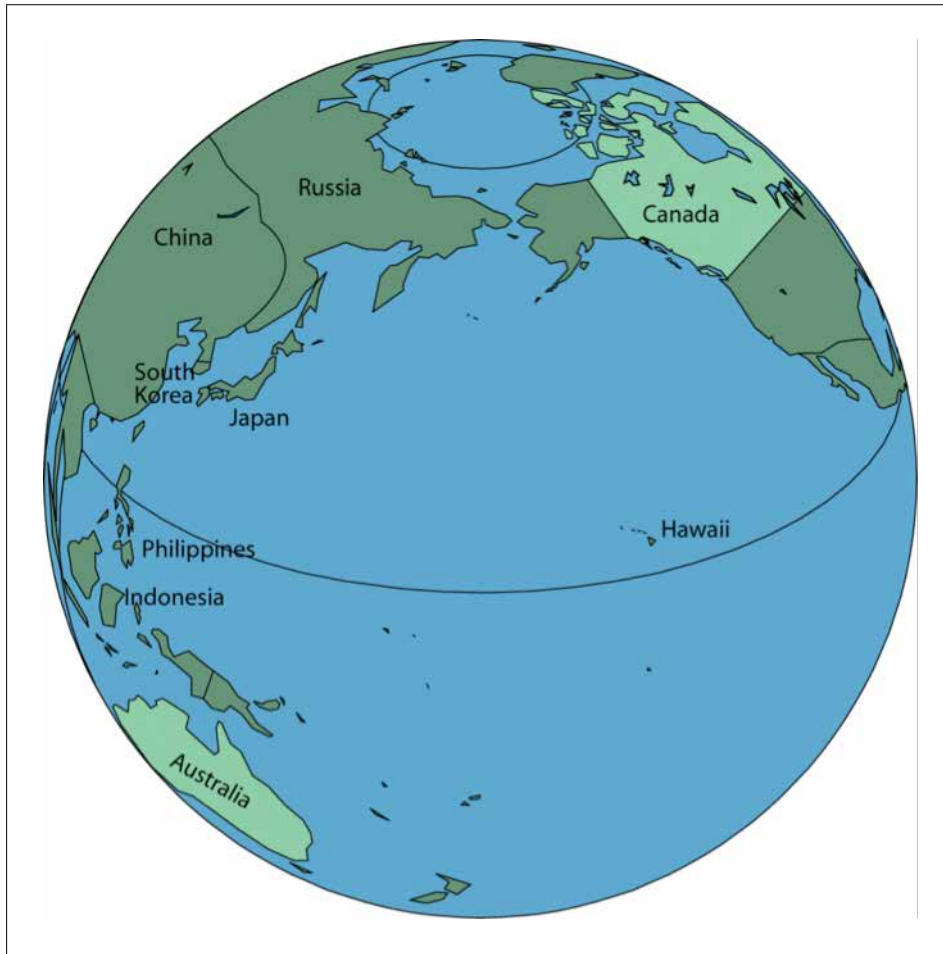
Yet Canada's renewed focus, if it proves to be a genuine and sustained one, is of intrinsic interest to Australia, and carries significant policy implications. A visionary understanding of the two countries' shared heritage and common interests is called for. Both countries also see security ties with the US as enduring and recognize the need to think creatively in a period of constraint about options for strengthening alliance ties with the US and bilateral ties with a range of Asian powers, notably including China. At the same time, both Canada and Australia are middle powers with limited industrial capacity and ability to launch and sustain major capital works, such as ship or submarine building. Latent efficiencies and savings are ripe for harvest through collaboration. Both countries also have a parochial view of their place in the world and of each other's relevance to and role in Indo-Pacific security affairs.

1 For the significance of this term, see Medcalf (2012).

2 This is argued in Blaxland (2006).

3 See the proceedings of the "Canada in the Pacific Century" conference, September 2012, available at [www.ceocouncil.ca/pacific/conference](http://www.ceocouncil.ca/pacific/conference) and [www.nsi-ins.ca/newsroom/a-pivot-to-asia-canadas-real-globalization/](http://www.nsi-ins.ca/newsroom/a-pivot-to-asia-canadas-real-globalization/).

Figure 1: The Pacific Rim



Source: Blaxland (2006).

## A SHARED LEGACY

As Australia and Canada contemplate the implications, it is worth reflecting on their shared experiences in the Indo-Pacific. Both fought in the Boer War, World War I, World War II and the Korean War.

Combatants from both countries are commemorated for their sacrifice at Commonwealth war graves in Myanmar, Korea, Hong Kong, Singapore and elsewhere.<sup>4</sup> Canadians lost a whole brigade in the defence of Hong Kong in December 1941, while Australians lost a division of two brigades in the defence of Singapore in February 1942. The losses occurred with little forethought about improving their prospects through allied collaboration. Thereafter, Canadian forces engaged in an amphibious operation, storming ashore at Kiska Island in the Aleutians (northeast

of Japan), and contemplated sending one or two combat divisions to fight in the Pacific alongside the Australians.<sup>5</sup>

As the war progressed, both were left with little voice in the direction of grand strategy (Blaxland 2006, 83). In the end, the Canadians sent a special wireless battalion, which operated out of Darwin. But it was a secret organization, so few knew about this Canadian contribution to Australia, even though the bonds established then in the realm of special intelligence endure to this day (Bou 2012).

Afterwards, Canada contributed a brigade-sized land force plus naval and air elements during the Korean War, fighting alongside Australians and together inflicting a setback on the enemy at the Battle of Kapyong in 1951.

During the Vietnam War, Canada was the principal Western country sending monitors to Vietnam to work with the International Commission for Supervision and Control, largely as a favour to the US — and in a manner

<sup>4</sup> Thirty-three Australians are buried alongside Canadians, Britons, Indians and Dutch at Hong Kong's Sai Wan Commonwealth War Cemetery; the names of 181 Canadian airmen are inscribed in the Singapore Memorial.

<sup>5</sup> The idea was floated by Major General V. W. Odum, Canada's High Commissioner to Australia, in Canberra in January 1942.

that faintly echoed Australia's contribution alongside the Americans. Later, Canadians and Australians bumped into each other on UN peacekeeping missions around the globe. In 1999, Canada sent an infantry company with air and sea logistic support to participate in the International Force East Timor (INTERFET). Canada and Australia contributed forces to the invasion of Afghanistan in 2001, but short of a fresh UN mandate, Canadian Prime Minister Jean Chrétien balked at participating in Iraq in 2003 — despite, like Australia, having embedded officers alongside their US counterparts. Interestingly, this was a move that then opposition leader Simon Crean proposed in Australia as well.

Since then, Canada has undertaken major combat operations in the Afghan province of Kandahar, adjacent to the Australians in Oruzgan, leading the fight against the Taliban and suffering greater casualties. As a NATO member, Canada quietly but forcefully advocated on Australia's behalf for greater access and influence on policy and strategy deliberations within the organization. Additionally, Royal Canadian Navy (RCN) and Royal Australian Navy (RAN) ships have worked alongside in the Persian Gulf and Indian Ocean for over two decades.

All these events happened on short notice, with little time to coordinate Canadian and Australian policy or plans, but they demonstrate the congruence in the two countries' strategic outlooks for more than a century. Few appreciate how much Canada has done for Australia or how significant and enduring are the understated ties between these two former British colonies.

Canada has demonstrated that it genuinely cares about security in the Indo-Pacific region. If it now appears ready to bolster its credentials as a serious actor there, it should consider closer engagement, particularly with Australia and the United States, but also with other Asian powers, including China.

Canada's and Australia's fixations on ties with the superpower and an apparent disregard for their enduring common security interests have sometimes obscured the utility of comparing and contrasting or sharing notes and experiences with each other, or exploring opportunities for mutually beneficial collaboration. And yet there's an enduring commonality between these two uncannily like-minded middle powers, steeped in shared histories, institutions, cultures, traditions and interests.

## DEEPER MUTUAL UNDERSTANDING

In Australia, few have seen Canada as a serious player in the region in recent years, so few have spent much effort on expanding collaboration beyond well-established multilateral intelligence links and such working-level arrangements as the collaborative standardization

program between the armies of America, Britain, Canada and Australia (ABCA), as well as New Zealand.

In the light of Canada's renewed interest and extensive historical commitments and ties to the Indo-Pacific, Australian skepticism needs to be overcome. A fresh look at Canada's significance to shared security objectives is required, as both nations seek to enhance regional security and stability to facilitate their own expanding trade ties and an enduring leadership role for the US, particularly in security affairs.

As Canada reconsiders its engagement in the region, Canadian and Australian officials should be encouraged to read about what it is they have in common and why enduring significance continues in the ties between these strategic cousins. Officers on both sides need to lift their vision to have a clearer understanding of the utility of collaboration and the missed opportunities of the past. Reflecting on experiences with INTERFET, for example, might provide some useful pointers for future engagement. INTERFET involved the rapid deployment of troops, working alongside other coalition partners, including many Southeast Asian countries, employing amphibious capabilities, a coalition IT network, intelligence sharing and undertaking agreed tasks.

## PROPOSED MEASURES

The following measures should be explored by Canadian and Australian defence policy makers to best capitalize on each other's strengths, commonalities and shared interests. In particular, cooperation can produce benefits in the three key domains: enhancing their ability to engage in the region, accruing financial savings and efficiencies, and enhancing engagement with the great powers.

### BOLSTERING REGIONAL ENGAGEMENT

#### Defence Attaché Presence

For Association of Southeast Asian Nations (ASEAN) countries, among others, appearances sometimes matter more than substance; form precedes function. To burnish its credentials and open doors in the region, Canada needs to bolster security ties by increasing its representational defence presence. Canada has a conspicuous shortage of defence attachés across Southeast Asia. Increasing the number of attachés would help Canada gain greater access to local officials and provide a better understanding of local circumstances. With greater access and understanding, more opportunities for bilateral collaboration could be explored.

At the moment, that's difficult to do. Each Canadian attaché covers a handful of countries and spreads their time thinly between their areas of responsibility. This leaves them poorly placed for proactive engagement beyond offering



places in English language courses. Similarly, reciprocal attaché offices in Ottawa and Canberra need to be staffed at the colonel (or equivalent) level and resourced to maximize the benefits from enhanced bilateral ties and working-level arrangements in the two capitals.

### **ASEAN Engagement**

For Australia, its participation in the Five Power Defence Arrangements (FPDA) has matched its participation in ASEAN-related forums, including the ASEAN Defence Ministers Meeting Plus (ADMM-Plus), particularly in various working groups. Australian support for enhanced Canadian engagement in such forums should be predicated on a commitment from Canada to have a long-term plan to engage with the region and to act collaboratively with Australia. As an important precursor, Canada must work assiduously to gain access to these working groups to demonstrate its goodwill and genuine commitment to regional engagement.

Collaborative projects with countries like Indonesia and Thailand would likely reap considerable benefits for Canada. Canada has compatibilities with the Indonesian armed forces inventory, with their Leopard 2 tanks for instance, which may present opportunities for shared training or related collaboration. Similarly, Thailand operates a comparable inventory to items in Canada's arsenal that could provide opportunities for engagement and exchanges. Other countries in ASEAN may present similar engagement opportunities as well.

Such engagement would also make it much easier for Australia to partner with Canada in related regional security activities. With a demonstrably increased commitment to the region, including through an increased military diplomatic presence, the ASEAN member states that control the ADMM-Plus arrangements would likely be willing to see Canada's membership ambition fulfilled.

### **Engagement with PACOM**

Australia has chosen to work closely with the US Pacific Command (PACOM), collaborating on a range of activities and exercises, and being invited to assume prominent senior appointments with integrated staff; Canada has also been invited to participate. But there is scope for an even greater focus on the PACOM domain for Ottawa policy makers, paralleling its equivalent arrangements in NATO. Some will see this as overambitious, but if Canada is serious about participating in the Pacific region, such engagement must be considered seriously.

Tandem Thrust, a bilateral US-Australian military training exercise, may lend itself to Canadian participation as well, as has been the case in other exercises. Canada's inclusion would be a worthy reciprocal act for Canada's advocacy on behalf of Australia in NATO forums. Certainly, the Australian-led multilateral KAKADU naval exercise

would be a useful activity for the RCN to join, as would Exercise Pitch Black for the Royal Canadian Air Force (RCAF).

### **Participation in the FPDA**

Australia is a major participant in the FPDA with Singapore, the United Kingdom, Malaysia and New Zealand. Canada could conceivably seek observer status in such activities and coordinate the timing of participation in other regional activities (such as Exercise Cobra Gold, described below) to be closely aligned, enabling sequential participation.

### **Participation in Regional Multilateral Exercises**

One useful way to boost regional profile is to participate in regional multilateral exercises. Exercise Cobra Gold is a bilateral exercise arranged between the United States and Thailand. It has become more of a multilateral activity in recent years, with observers from Myanmar and China included. The exercise also has the active participation of air, land and sea components from Japan, Indonesia, Singapore, Malaysia, the Philippines and the Republic of Korea. Australia should be seeking to play a more prominent role in this exercise in order to burnish its regional multilateral ties and to strengthen ties with Thailand and other ASEAN participants. Similarly, Canada should seek to engage in Cobra Gold.

Collaboration on peacekeeping and humanitarian assistance and disaster relief (HA/DR)-related components of the exercise would be worth targeting, as would the amphibious component, in order to exercise and demonstrate the functions of the RAN's landing helicopter docks (LHDs), which are due to become operational soon.

### **Collaboration with Amphibious Capability Development**

As Australia brings its LHDs into service, the Australian Defence Force (ADF) should invite neighbouring countries on board to participate collaboratively in exercises and related activities centred on HA/DR scenarios, such as Indonesians and other Southeast Asians.<sup>6</sup> Canada has limited capability in this domain, but as it considers its options for the future, it should be invited to participate and mix in with the other regional participants.

## **MUTUAL CAPABILITY ENHANCEMENTS AND EFFICIENCIES**

### **Shared Education and Training Exchanges**

There may be additional areas where efficiencies and savings can be made by sharing undergraduate officer education and training. Canadian officer cadets could be invited to study at the ADF Academy and Australian cadets could be similarly invited to study for a term at

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6 See Taylor (2013).

the Royal Military College of Canada. This has been tried before, and participants have benefitted considerably from the experience. For mid- and late-career courses, such as staff college and defence college, exchanges remain in place, having proven to be beneficial. There's merit in a similar arrangement for career-entry level exchanges as well.

Exercise Long Look has provided excellent opportunities for the cross-pollination of ideas among the armies of Britain, Australia and New Zealand. A similar arrangement should be considered between Australia and Canada. With some creative thinking and ingenuity on both sides, cost-efficient ways to do this can be found despite budget constraints.

### **Major Acquisitions**

There is also scope for closer collaboration on major acquisition projects, including the F-35 and future submarine projects. Australia, like Canada, has a significant requirement for a non-nuclear-powered submarine force that has the range to operate in and around the Indo-Pacific. Australia is on the cusp of developing and building submarines to replace the six aging Collins class submarines built in the 1980s and early 1990s. Canada is likewise reflecting on its future submarine options.

The two countries could participate in a collaborative project, as they have similar requirements and challenges in terms of economies of scale. There is scope for efficiencies and commonalities to be explored to ensure that the most appropriate platforms are acquired and in the best configurations and quantities. Neither country can honestly afford to go it alone. A collaborative project would likely generate unforeseen benefits.

In considering this approach, managing the expectations of both countries' supplier lobbies and political considerations will need to be taken into account. Overcoming local resistance will be tough, particularly because procurement in both countries touches on local defence industry shibboleths and requires visionary and long-term commitment. Perhaps a quid pro quo approach for such a collaborative project could be found, drawing on Canada's expertise in managing its Arctic.

### **Capability Development Relating to the Arctic and Antarctic**

Canada has a wealth of experience in managing its Arctic territorial responsibilities. As Australia is giving more thought to its responsibilities around the Southern Ocean and Antarctic waters, it should give close consideration to the RCN's Arctic/offshore patrol ships, which are being designed and built in Canada for operations in the Arctic. Australia could benefit considerably from close collaboration with Canada as it seeks to further develop its ability to operate in and around the Southern Ocean.

### **Indigenous Exchanges**

Similarly, there are lessons to be learned from the Canadian Rangers and its Junior Rangers program. These indigenous units that operate in Canada's far north have strong parallels with Australia's counterpart regional force surveillance units, with many lessons to exchange and learn from.

### **Establishing an IT Network for Crisis Coalition Support**

As Australia plays an increasingly prominent, if not leading, role to facilitate participation in multilateral regional activities, a secure coalition IT network is required. Such infrastructure was required for INTERFET and has been used by coalition partners in the International Security Assistance Force in Afghanistan. A similar configuration should be established by Australia. With its impressive IT industry, Canada could be a partner in enabling such a network to be established, using the amphibious LHDs as a test bed. HA/DR exercises and activities are a useful arena in which to use such a system.

### **Shared Networked and Virtual Training Opportunities**

Both the ADF and the Canadian Armed Forces face significant budgetary constraints as the Afghanistan drawdown nears completion. To maintain honed forces and cutting-edge capabilities, maximum use will need to be made of simulation, networked IT facilities and online training resources. Australia and Canada should look toward developing shared online training programs where commonalities exist across the three services. Such shared arrangements can readily build on the high level of compatibility arising from common standards and protocols negotiated through forums such as the ABCA program.

Shared preparation of syllabus material should be considered in areas such as principal warfare officer training for RCN and RAN officers, RCAF and Royal Australian Air Force aircrew training, and regimental officers advanced courses for the Army.

## **ENHANCING ENGAGEMENT WITH GREAT POWERS**

### **Participation Alongside US-led Initiatives**

Working alongside the US has enduring importance for both Canada and Australia. Whatever collaborative work is undertaken between the two countries will probably always pale in comparison with the bilateral undertakings each has with the US. There are, however, several areas where both Canada and Australia could contribute alongside the US to collaborative measures aimed at enhancing regional security and stability in a way that could also help bolster Canada-Australia ties. These include the four measures for collaboration between the

US and Australia suggested by Thomas Mahnken (2013) in a recent blog piece:

- Participation in the integrated intelligence, surveillance and reconnaissance network for the Western Pacific would aim to improve shared understanding to deter hostile action and, if need be, to facilitate collective action.
- Cooperation on undersea warfare could include ensuring that Canada and Australia acquire replacement submarines with high levels of interoperability with the US Navy and with each other.
- Increased cooperation and interoperability on precision munitions would allow for common stockpiles for mutual benefit (experience in the Korean War is instructive on this point).
- Common investment in high-payoff capabilities in collaboration with the US should be considered, and may produce effective and efficient research and development in an era of greater financial austerity.

#### **Exercises with China**

Australian policy makers have consistently claimed that nothing is gained from arguing there is a need to choose between China as principal economic partner and the United States as principal security partner. Painting security challenges in such unambiguous terms misses the real world's shades of grey that policy makers grapple with. Moreover, in a region where appearances often matter more than substance, making declaratory policies in such stark terms can have unintended negative consequences.

Instead, Australia has sought to downplay the differences, seeing multilateral collaboration as the best course. With this in mind, Australia has engaged with China in a variety of bilateral military exercises in recent years, and in April this year, then Prime Minister Julia Gillard called for trilateral exercises between China, Australia and the United States. The preferred areas for collaboration have tended to be in the realms of HA/DR, special operations, search and rescue, and basic naval activities, including passing exercises and naval gunnery. So far, Canada has been largely absent from such discussions, distracted by other domestic priorities. But as Canada reflects on its own demands for a rebalancing towards Asia, there may be scope for its participation in similar activities, drawing on Australia's experience. Canada could take part in multilateral exercises involving Australia and China, and possibly alongside other regional powers, including the United States. Creative thinking and a constructive approach are required; some are already thinking along this line (Manicom 2013).

#### **Defence-level Arrangements**

With so many potential areas for collaboration, information sharing and exchanges, there may be scope for the establishment of a formal Canadian-Australian Defence Arrangement. To date, Canada and Australia have relied primarily on US-led multilateral arrangements to provide the venue for engagement. But with the United States distracted by its own financial concerns and protracted domestic political manoeuvrings, there appears to be considerable utility in Canada and Australia setting up their own bilateral arrangements. This could take the form of the bilateral ministerial meeting arrangements entered into with Britain (the Australia-United Kingdom Ministerial Consultations) and the US (the Australia-United States Ministerial Consultations) or the strategic dialogue arrangements with China, or the "two-plus-two" meetings with foreign and defence ministers of South Korea.

Whatever Canada decides, with the global centre of gravity shifting to the Indo-Pacific, the imperative for Canadian engagement can only grow. Better to act now rather than to be dragged in later, unprepared.

#### **CONCLUSION**

If Canada is serious about engaging in Indo-Pacific security, it needs to participate more actively. A number of low-cost steps could be taken by Canada and Australia to bolster regional security and stability, in turn facilitating increased trade and prosperity.

Canada should boost its military and diplomatic presence through its defence attaché network and seek participation in a number of multilateral exercises and activities. It should also be more serious about developing and maintaining capabilities that could be employed in the region.

Australians should pay close attention to their Canadian counterparts, encouraging and even facilitating greater engagement in the Indo-Pacific, recognizing what Canada has done for Australia elsewhere and reciprocating in the region.

With a demonstration of such resolve, considerable benefit may accrue from Australia and Canada working alongside to further shared interests in regional security and stability, maintaining the rules-based order associated with the *Pax Americana* while encouraging China's continued peaceful rise.

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**APPENDIX 4: ACRONYMS**

		RCN	Royal Canadian Navy
ABAC	Asia-Pacific Business Advisory Council	RIMPAC	Rim of the Pacific Exercises
ABCA	America, Britain, Canada and Australia	SLOC	sea lines of communication (Norgrove)
ADF	Australian Defence Force	SLOCs	sea lanes of communication (Manicom)
ADMM-Plus	ASEAN Defence Ministers Meeting Plus	SMART	Synthetics Monitoring: Analyses, Reporting and Trends (UN Office on Drugs and Crime)
AFP	Australian Federal Police	TPP	Trans-Pacific Partnership
APEC	Asia-Pacific Economic Cooperation	TRA	Taiwan Relations Act
ARF	ASEAN Regional Forum	UKUSA	United Kingdom-United States of America Agreement
ASEAN	Association of Southeast Asian Nations	UNCLOS	United Nations Convention on the Law of the Sea
ASPI	Australian Strategic Policy Institute	WMD	weapons of mass destruction
CCP	Chinese Communist Party	WPNS	Western Pacific Naval Symposium
CERT	computer emergency response team		
CIGI	The Centre for International Governance Innovation		
CSCAP	Council for Security Cooperation in the Asia-Pacific		
EEZ	exclusive economic zone		
EWG	Energy Working Group (APEC)		
FAO	Food and Agriculture Organization (UN)		
FDI	foreign direct investment		
FPDA	Five Power Defence Arrangements		
HA/DR	humanitarian assistance and disaster relief		
INTERFET	International Force in East Timor		
LHD	landing helicopter dock		
NATO	North Atlantic Treaty Organization		
PACOM	US Pacific Command		
PLA	People's Liberation Army		
PSI	Proliferation Security Initiative		
RAN	Royal Australian Navy		
RCAF	Royal Canadian Air Force		
RCEP	Regional Comprehensive Economic Partnership		
RCMP	Royal Canadian Mounted Police		

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