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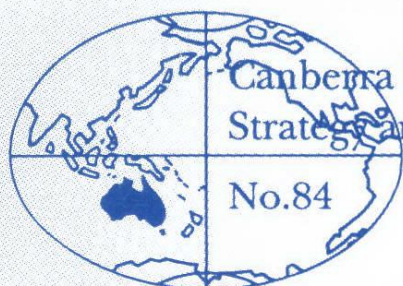
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AUSTRALIA'S SECURITY INTERESTS IN NORTHEAST ASIA

Alan Dupont

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Centre: Senator Gareth Evans with members of a Japanese parliamentary delegation to Australia (*Australian Foreign Affairs Record*, May 1991, photographer N. Plant)
Bottom: F-111C aircraft (RAAF Public Relations, photographer M. Lancaster)

ABSTRACT

Australia has traditionally defined its security interests in terms of military threats to the nation's territorial integrity and sovereignty, and since the 1986 Dobb Report, *Review of Australia's Defence Capabilities*, Southeast Asia and the South Pacific have been accepted as Australia's 'sphere of primary strategic interest'. This monograph argues that both these assumptions are seriously flawed. In the more complex and interdependent world of the post-Cold War era, Australia must take a more holistic approach to security which recognises the linkages between the political, economic and strategic dimensions of national security, and the increasing salience of economic factors.

The monograph seeks to illustrate these linkages by identifying Australia's national security interests in the dynamic Northeast Asian states of Japan, China and the Republic of Korea (ROK), and analysing the implications for Australia of developments in, and between, these states. One of the principal conclusions reached is that the Northeast Asian sub-region is already critical to Australia's security, whether broadly or narrowly defined. Individually, and conjointly, Japan, China and the ROK have as much claim to inclusion in Australia's primary area of security interest as the more geographically proximate countries of Southeast Asia and the South Pacific.

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The views expressed in this monograph are the author's and do not necessarily represent those of the Australian government.

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PREFACE

This paper advances the proposition that any meaningful examination of national security today must transcend the narrowly defined, military-dominated notions of the Cold War era. In the more complex, interdependent and multi-polar world of the 1990s, economic issues will increasingly come to define and shape global and national agendas. At the very least nations, particularly those like Australia, which are highly dependent on international trade and hence more vulnerable to the vagaries of the global trading system, will be forced to accept the need for a more integrated and holistic approach to security policy. This is not to deny the continuing relevance of strategic factors to any discussion of international security. It is simply a recognition that security is not synonymous with defence against military threats to a nation's territory or sovereignty. National security may equally imply dealing with the economic consequences of military conflict, or of decisions by other states, or groups of states, which may place at risk bilateral or multilateral trade, or imperil the economic welfare of the nation.

Orthodox Western 'rational actor' paradigms of decision-making theory and international security studies tend to ignore, or discount, the distorting effects of the psychological and cultural prisms through which nations assess and view each other. This paper attempts to weave into the montage of its analysis the perceptions which colour and inform the attitudes of Australians towards the Northeast Asian countries which are the focus of this study (Japan, China and the Republic of Korea (ROK)) as well as encapsulating these countries' perceptions of Australia, and of each other. Although relatively distant from Australia and located at the northern pole of the Asia-Pacific axis, in terms of a geostrategic and geo-economic entity Japan, China and the ROK constitute a region of primary security interest for Australia. This is a reflection of the growing strength and multiplicity of the political, trade, defence and 'people-to-people' ties which bind Australia to these nations, and the capacity of these nations to influence and shape Australia's security environment.

The paper is divided into four chapters and a conclusion. Chapter 1 explores the strategic and political imperatives which drive Japan's security policies, and their implications for Australia, while

Chapter 2 deals with the economic dimension of Australia's security interests in Japan, and highlights Australia's growing economic and financial dependence on Japan. Chapter 3 examines China's transition from adversary to friend, the impact of the Tiananmen massacre on Australia's perceptions of China, and strategic and economic developments in China. Chapter 4 looks at the emerging partnership between Australia and the ROK, and assesses the consequences for Australia of the changes which are taking place on the Korean peninsula. Within this structure, the paper depicts the security environment as seen from the different perspectives of Tokyo, Beijing and Seoul, and endeavours to convey some understanding and appreciation of the dynamics which govern their strategic and political relationships.

My thanks go to Des Ball for his support and encouragement of this project and to Tina Lynam, Helen Wilson, Elza Sullivan and Helen Hookey for their invaluable assistance.

Alan Dupont
September 1991

CHAPTER 1

JAPAN: POLITICAL AND STRATEGIC IMPERATIVES

Japan's Security Environment

Despite their impressive economic, financial and technological achievements, the Japanese are an insular people with an abiding sense of vulnerability. The origin of Japan's insecurity may be traced to the realities of its geostrategic circumstances. The Japanese islands are small, densely populated, featuring long coastlines with little strategic depth. Although protected by a significant sea gap from the Asian landmass, Japan is faced on three sides by neighbours who have historically posed a threat to the nation's interests and territorial integrity. Japan also sits astride the main sea lines of communication to its neighbours, 'in the middle of the very route of advancement from the continent into the ocean'.¹ Its historical political and strategic importance at the fulcrum of Northeast Asia was heightened during the Cold War era, when Japan was seen in the West as a bastion against the perceived expansionism of communist regimes which held sway in the Soviet Union, China and North Korea.

In addition to these factors, Japan has always suffered from a lack of natural resources, a deficiency which contributed in no small part to the Japanese decision, in 1941, to embark on its ill-fated attempt to create a 'new order in East Asia' and secure the rubber, tin, bauxite, and oil upon which its industries depended.² In the post-Second World War period, Japanese dependence on imported raw materials and primary products has increased substantially. Most of Japan's coal, oil and uranium is imported, along with a high percentage of its food. Tokyo has evinced particular concern about the consequences of

¹ Defense Agency of Japan, *Defense of Japan*, 1983, p.28, cited in P. Keal, *Japanese Defence and Australian Interests*, Legislative Research Service Discussion Papers No.8, 1985-86 (Department of the Parliamentary Library, Canberra, 1986), p.4.

² F. Michael and G. Taylor, *The Far East in the Modern World* (Methuen and Company, London, 1964), pp.567 and 578.

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a major disruption of food imports, either as the result of a deliberate act by a hostile state, or as the indirect consequence of military, industrial or economic actions involving its major suppliers or affecting its trade routes.³

Japan's Threat Perceptions

Historically, Japan has regarded the Soviet Union in adversarial terms and, in modern times, distrust of Moscow has been heightened by the Soviet Union's uncompromising attempts to detach Japan from the Western alliance. Soviet military power was emphatically demonstrated in the closing stages of the Second World War, when Stalin's forces occupied Manchuria, and indelibly etched in the Japanese consciousness by subsequent manifestations, which included support for the communist regimes in North Korea and China and the stationing of substantial military garrisons on Sakhalin and the Kurile Islands.⁴

In the 1970s and 1980s, the modernisation and expansion of the Soviet Union's conventional and nuclear forces in the Soviet Far East,⁵ and regular penetrations of Japan's airspace by Soviet military aircraft, provided Japan's defence planners with a highly visible threat and a rationale for improving their own military capabilities.

³ J. Chapman, R. Drifte, I. Gow, *Japan's Quest for Comprehensive Security: Defence, Diplomacy, Dependence* (Frances Pinter Publishers, London, 1983), pp.210-214.

⁴ The Kuriles, or Northern Territories as they are commonly referred to in Japan, consist of the islands of Shikotan, Etorofu, Kunashiri and the Habomai group.

⁵ The highly accurate, mobile SS-20 Intermediate Range Ballistic Missile (IRBM), with a range of 5,000 kilometres, was first deployed in the Soviet Far East in 1978, and the nuclear-capable Backfire bomber followed in 1979. The Soviet Pacific Fleet is based at Vladivostok, and a major submarine base is located at Petropavlovsk on the Kamchatka Peninsula. J.R. Van de Velde, 'Japan's Nuclear Umbrella: US Extended Nuclear Deterrence for Japan', *Journal of Northeast Asian Studies*, (Vol.VII, No.4), Winter 1988.

However, while Japan's defence effort has been directed almost exclusively at the Soviet Union, and the Japanese Defense Agency (JDA) continues to portray the Soviet Union as a direct threat to Japan, many analysts question the extent to which the Soviet theatre improvements are actually directed against Japan.⁶ Privately, JDA officials discount the possibility of military confrontation with the Soviet Union, outside the context of general war, and concede that Moscow's ability to threaten Japan militarily has significantly diminished as a result of the Soviet Union's disintegrating empire and corroding economy. Such views are now openly reflected in official policy, although in a qualified way.⁷ For example, the 1990 Defense White Paper acknowledges that it would be 'difficult for the Soviet Union to take offensive actions against other countries, considering its domestic situation and international environment'.⁸

However, it is not the Soviet Union which is seen as the greatest threat to Japanese security, but the prospect that a conflict in the Middle East would ignite a major conflagration which could sweep away the present world order under which Japan has prospered, and imperil Japan's crucial supply of Middle Eastern oil. This conflict scenario has been given added credence by the Gulf War, which has forced a major revision of Japan's security policy. The other contingency which most concerns Japanese defence planners is the possibility that a renewal of hostilities on the Korean peninsula might directly involve Japan, and threaten its vital security interests.

⁶ See P. Dibb, 'The Soviet Union as a Pacific Military Power', *Pacific Defence Reporter*, November 1984, pp.20-24.

⁷ Japanese officials are dubious about the benefits for Asia of European arms reductions, pointing to the Soviet Union's large-scale redeployment of advanced military equipment east of the Urals in order to meet the new arms ceilings stipulated by the Conventional Forces in Europe (CFE) agreement. *Far Eastern Economic Review*, 27 June 1991.

⁸ Defense Agency of Japan, *Defense of Japan* 1990, p.37.

The Strategic Significance of Korea for Japan

The Korean peninsula has traditionally occupied a position of politico-strategic significance for Japan as a natural bridge to the Asian landmass, along which have passed generations of aspiring conquerors as well as the scholars and priests to whom the nation owes its cultural and linguistic heritage. Since the 1953 division of the Korean peninsula, successive governments in Tokyo have acknowledged the vital importance of the Korean peninsula to Japan's security, although it was not until after US President Nixon's 1969 Guam Declaration that Tokyo felt compelled to develop a Korean policy based on Japanese, rather than US, interests.

Between 1971 and 1975, Tokyo made strenuous efforts to develop its relationship with the Democratic People's Republic of Korea (DPRK), in recognition of its broader interests in the Korean peninsula, which included attempts to improve ties with the Soviet Union and China. In 1975, however, faced with the prospect of a US withdrawal from the Republic of Korea (ROK), and with the initial optimism which accompanied the fading of detente, Japan concluded that its security relationship with the US was of primary importance and that Japan had little room for developing and pursuing policies which deviated significantly from those of the US in the security arena.⁹ This applied particularly to the Korean peninsula. Since 1975, Japan's Korea policy has remained fairly constant. While Japan has been careful not to isolate the DPRK - indeed, there remains significant sentiment in the Opposition parties and the ruling Liberal Democratic Party for further improvements in relations with Pyongyang¹⁰ - Japan is unlikely to jeopardise its relations with the ROK or the US by taking initiatives on the Korean question which are not acceptable to Washington or Seoul.

At the very heart of Japan's preoccupation with the Korean peninsula is a recognition that a renewal of hostilities between the two Koreas would pose a grave threat to Japan, and to the broader region.

⁹ Lee Chong Sik, *Japan and Korea: The Political Dimension* (Hoover Institution Press, California, 1985), p.103.

¹⁰ W. Barnds (ed.), *The Two Koreas in East Asian Affairs* (New York University Press, New York, 1976), pp.93-94.

Japan would find it difficult, if not impossible, to quarantine itself from any Korean conflict, because of the nature of the US security guarantees to the ROK specifying the deployment of US air and naval forces based in Japan against the DPRK. The seriousness of military hostilities on the Korean peninsula would be heightened by the probable involvement of the three major nuclear powers (the US, China and the Soviet Union) and the destabilisation of the complex set of interrelationships between these states which define the Northeast Asian balance of power.

Japan sees itself as making a significant contribution to the security of the ROK by hosting US forces and bases, which are an integral and vital component of the US strategic posture in the region and a major deterrent to a North Korean invasion of the South.¹¹ Japanese political leaders accept that the ROK is 'essential' to Japan's own security.¹² Under the terms of the US-Japan Security Treaty, Japan is obliged to support US military operations on the Korean peninsula, and the Japanese government has repeatedly affirmed its preparedness to respond 'promptly and positively when asked for the use of bases in defence of Korea'.¹³ It is less clear how Japan might respond in a situation less threatening than all-out invasion of the ROK by the DPRK. Japan has also helped the ROK to develop its defence industry by providing economic and technical assistance.

In the short term, the prospects for enhanced bilateral security cooperation between the ROK and Japan are not promising. There are some limited defence and intelligence exchanges,¹⁴ but these are primarily in the context of their triangular security relationship with

¹¹ This perception is not shared by the ROK, which believes that Japan has bought its defence on the cheap and at the expense of the ROK, which spends a far higher proportion of its budget on defence.

¹² Park Yong Ok, *Korean-Japanese-American Triangle: Problems and Prospects* (The Rand Corporation, Santa Monica, California, September 1985), p.12.

¹³ *ibid.*, p.11.

¹⁴ There are occasional naval ship visits and contacts between senior defence officials. There is also a Japan-ROK Parliamentary Security Consultative Council, which was established in 1979. Chapman *et al.*, *Japan's Quest for Comprehensive Security*, p.114.

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the US. The high level of distrust between the two nations, stemming from historical animosities and Japan's forty-year occupation of Korea, is a significant emotional and psychological barrier to the development of stronger defence ties.¹⁵ The potential for cooperation is further circumscribed by international and domestic constraints on the force structure and role of the Japanese Self-Defense Forces (JSDF), and differing threat perceptions. Japan sees Moscow as the most likely threat to its security while the ROK is still preoccupied with the DPRK.¹⁶

The issue on the Korean peninsula of most immediate strategic consequence for Japan is the acquisition of nuclear weapons by the DPRK. Japan's concerns in this area are four-fold. First, there is the direct threat to Japan that a nuclear-armed DPRK would pose. Second is the destabilising effect of such a development on the strategic balance of power in Northeast Asia. Third is the possibility that the ROK response might include a pre-emptive strike against the Yongbyon nuclear facilities or, even more seriously, provoke the ROK into developing its own nuclear weapons. Fourth is the added pressure on Japan to consider the nuclear option.¹⁷ In the longer term, the emergence of a nuclear-armed, reunified Korea is not a prospect that

¹⁵ See L.Niksch, 'Future Issues in ROK-US Security Cooperation' in *ibid.*, pp.131-132; and Park Yong Ok, *Korean-Japanese-American Triangle*, pp.11-12.

¹⁶ Lee Ki Tak, 'Some Questions on Japanese Defense', in W. Taylor, Young Koo Cha, J. Blodgett, M. Mazarr (eds), *The Future of South Korean-US Security Relations* (Westview Press, Boulder Colorado, and Center for Strategic and International Studies, Washington, 1989), p.79.

¹⁷ The general feeling in the Japanese Foreign Ministry is that even if Pyongyang were proved to possess nuclear weapons, it is unlikely that Tokyo would respond by developing its own nuclear weapon capability because of domestic considerations and the enormous international pressure which would almost certainly be brought to bear on Japan by the major nuclear powers. Interviews, Japanese Foreign Ministry, Tokyo, March-April 1991.

Japan would view with equanimity,¹⁸ although Japanese officials doubt that a united Korea could sustain a nuclear weapons program in the face of concerted opposition from its neighbours and the US. In addition, a unified Korea would almost certainly be highly dependent on trade, and consequently vulnerable to sanctions or other more subtle means of economic dissuasion.

The Strategic Significance of China for Japan

Japan is conscious of the cultural and linguistic heritage bequeathed by China over the course of two milleniums. Japan has also historically regarded China as a source of wealth, a natural competitor for regional influence, and a potential threat to the nation's security. This ambivalence towards China has been complicated in this century by the consequences of Japan's brutal occupation of Manchuria and the Chinese heartland. The sense of war guilt and moral responsibility felt by many Japanese leaders for the excesses of this period has paid useful economic and political dividends for Beijing, which has managed to extract generous trade concessions from Japan and acquiescence to its defence modernisation program, which in other times and under other circumstances may not have been so readily forthcoming.

Nevertheless, although the possibility of a direct attack by China is usually dismissed out of hand, there are influential policy-makers in Japan who regard China's naval build-up and defence modernisation as antithetical to Japan's long-term security interests, and have taken careful note of China's proclivity for using force as a means of conflict resolution. As a maritime power, Japan has a direct interest in sea-lane security, which may not necessarily coincide with China's maritime security interests. More specifically, Japan is in dispute with China over the Senkaku (Jiaoyutai) islands, and the extraction of oil from the Sea of Japan.¹⁹ China's military action in

¹⁸ The worst case scenario, from a Japanese point of view, would be the emergence of a unified communist state on the peninsula as the result of military victory by Pyongyang. Barnds, *The Two Koreas in East Asian Affairs*, pp.92-93.

¹⁹ Chapman *et al.*, *Japan's Quest for Comprehensive Security*, p.113.

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support of its claim to the Spratly Islands, and its subsequent justification of the use of military force,²⁰ was not particularly reassuring to the Japanese, who also have lingering concerns about how China will seek to resolve the status of Taiwan which, as noted by several Japanese Defense White Papers, is located close to Japan and forms part of an important sea-lane.

However, it is China's historical vulnerability to recurring cycles of political instability and chaos which most preoccupies the socially disciplined Japanese. Political turmoil in China could disrupt Sino-Japanese trade and create a climate of uncertainty and unpredictability enveloping the whole of Northeast Asia. For the moment, however, Tokyo appears relatively sanguine about Beijing's ability, in the short term at least, to reconcile the contradictions of a policy which enshrines economic reform without concomitant political liberalisation. There is an equally strong belief that China's long-term problems are so immense that it will never be able to fully realise its economic and strategic potential, an outcome which is not without its attractions for Japan.

The possibility of rapprochement between the Soviet Union and China, and the development of a cooperative partnership between these two erstwhile protagonists, is a scenario which evokes mixed emotions in Japan. On the one hand, a further reduction of tensions along the Sino-Soviet border would be welcomed by Tokyo, as would the possibilities for enhanced trade linkages between the Northeast Asian states and the Soviet Far East. On the other hand, some Japanese defence analysts believe that China might eventually redeploy some of its military assets southwards, and concentrate on

²⁰ A few months after China clashed with Vietnam over the Spratly Islands (in July 1988), Beijing declared that the 'army must do its best ... to defend our territorial integrity ... [and] ensure that our rights and interests at sea will not be encroached upon. We should give full play to the special role of our military forces in international competition'. Foreign Broadcast Information Service (FBIS)-China, 29 July 1988, p.32, cited in J.Malik, 'Chinese Debate on Military Strategy: Trends and Portents', *Journal of Northeast Asian Studies*, (Vol.IX, No.2), Summer 1990, p.14.

the projection of its naval power into the South China Sea,²¹ which in turn could force Japan to reassess its defence posture and match any Chinese naval build-up. Most of these concerns are long term, however, and for the moment Sino-Japanese relations are too important for either side to contemplate gratuitously upsetting the *status quo*. Trade is continuing to grow at a healthy pace, and both China and Japan agree that the US presence in Northeast Asia is critical to the stability of the region. In Japan's case, the US still remains the principal guarantor of Japan's security while the Chinese see the US presence as a hedge against a revival of Japanese militarism.

The Evolution of Japan's Security Policy

Japan's security policy has evolved through a number of distinct phases since the nation's devastating defeat in the Second World War. From 1945 until the early 1970s, economic reconstruction was pursued with characteristic single-mindedness under the aegis of a benevolent United States, which shielded Japan from disruptive external influences.²² Traditional Japanese security concerns were subsumed in United States global policies designed to shape the post-War international order and to consolidate United States and Western security interests in Northeast Asia. In exchange for United States patronage, Japan permitted Washington to dictate the fundamentals of its defence and foreign policies.

Within the parameters of the US security framework, Japan developed a 'market place' foreign policy which separated economics from politics as much as possible, thus enabling Japan to keep 'a low political and strategic profile'.²³ The declining emphasis on the politico-military aspects of policy, what Scalapino has called a

²¹ G. Klintworth, *China's Modernisation: The Strategic Implications for the Asia-Pacific Region* (Australian Government Publishing Service, Canberra, 1989), p.94.

²² Chapman *et al.*, *Japan's Quest for Comprehensive Security*, p.xi.

²³ R.Scalapino, 'Relations between the Nations of the Pacific Quadrille: Stability and Fluctuation in East Asian Politics' in H.Ellison (ed.), *Japan and the Pacific Quadrille: The Major Powers in East Asia* (Westview Press, Boulder, Colorado, 1987), p.8.

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minimum-risk, maximum-gain foreign policy,²⁴ was aimed in part at reassuring domestic and international opinion that Japan would not return to the aggressive militarism of the past. It came at a cost, however, measured in the lack of political and strategic leverage which Japan possessed in regional and global forums, and its over-dependence on the United States. This in turn reduced Japan's ability to construct and pursue policies which were not co-terminous with the interests of the United States.

In the 1970s, it was possible to discern in Japan two competing conceptual approaches to the conduct of foreign policy. One, which has been labelled 'omni-directional foreign policy', advocated 'primary reliance on Japan's economic power to establish the broadest possible international ties cutting across ideological and political boundaries'.²⁵ The proponents of the alternative approach argued that, as a global economic power, Japan had a major stake in the politico-strategic equilibrium of the world order, and it was therefore in Japan's interests to increase its defence commitments and honour the obligations of alliance with the West.²⁶ Central to both schools of thought was acceptance of Japan's special relationship with the United States as the *sine qua non* of national security and economic advancement.

Japan's confidence in the efficacy of an omni-directional foreign policy and Washington's ability and willingness to act as the sole guarantor of Japanese security began to erode in the 1970s,²⁷ following the United State's defeat in Vietnam and the oil shock of 1973, in which the nation's dependence on overseas raw materials and energy resources was painfully driven home. The Japanese government decided that the time had come to strengthen its defence

²⁴ *ibid.*, p.9.

²⁵ *ibid.* See also Keal, *Japanese Defence and Australian Interests*, p.19.

²⁶ Scalapino, 'Relations between the Nations of the Pacific Quadrille', p.10.

²⁷ Comprehensive National Security Study Group, *Report on Comprehensive National Security*, 2 July 1980, p.25. The officially sanctioned Japanese Study Group wrote: 'The most fundamental fact in the changing international situation in the 1970s is the termination of clear American supremacy in both military and economic spheres'.

commitment to the West, and that in the absence of clear alternatives to the US alliance this should be done within the framework of the US-Japan Security Treaty. The new emphasis on the defence aspects of security was accompanied by a determination that Japan should more actively pursue its own political and strategic interests, and adopt measures to ensure a reliable supply of the energy and food resources essential to its prosperity and survival.

In 1978, the Nomura Research Institute published a paper which advanced the concept of comprehensive national security. A subsequent private study group established by Prime Minister Ohira, developed the concept further, and identified six security objectives:

- Promoting closer military and general cooperation with the United States.
- Strengthening Japan's defence capability.
- Improving the management of relations with China and the Soviet Union.
- Achieving energy security.
- Achieving food security.
- Adopting measures for coping with major earthquakes.²⁸

The underlying assumption of comprehensive security, that Japan must provide for its security on a broad front, was in a sense the logical development of earlier policies which recognised the economic vulnerabilities of a resource-poor nation like Japan. Comprehensive security, as pointed out by Alan Rix, brought together the two previously separated political and economic constituents of foreign policy into a broad policy framework, which was consistent with the philosophical origins of Japan's Peace Constitution forbidding the use of force in the settlement of international disputes.²⁹

²⁸ *ibid.*, pp.35-36.

²⁹ A. Rix, 'Japan's Comprehensive Security and Australia', *Australian Outlook*, (Vol.41, No.2), August 1987, p.79.

Japan's Security Policy Today

Japan's security policy today remains predicated on the concept of comprehensive security, in which all the elements of national power are mobilised for the protection of Japan's territorial integrity and the maintenance of a favourable world order. Comprehensive security is specifically aimed at ensuring a stable and reliable supply of raw materials essential to Japan's economic growth, and 'provides a strategic setting for existing diplomatic efforts for food and resources policy' within a 'politically acceptable framework for maintaining a strong emphasis on a self-defence capacity'.³⁰

Under this new policy framework, Australia assumed a greater prominence in Japan's strategic calculations, both as a principal supplier of the food and energy raw materials essential to Japan's security and as a co-member of the US-led Western alliance.³¹ As observed by Alan Rix, comprehensive security marked 'a decisive change in Japan's international profile' because it potentially placed 'all policies with international ramifications into a security context' most notably '(in addition to defence) food, resources, energy and foreign aid'.³² This multi-dimensional approach to security has not been without its critics in Japan, who have branded it as too vague to be useful as a policy prescription or, in the case of the JDA, claimed that 'non-military defence' is inappropriate in the 'current world climate'.³³ Generally, however, comprehensive security has found broad acceptance in the Japanese community.

Under the 'Initiative for International Cooperation'³⁴ (announced in May 1988), which reflects Japan's broad interpretation

³⁰ *ibid.*

³¹ The *Report on Comprehensive National Security* noted the importance of forging closer relations with Western Europe, Canada, Australia and New Zealand as part of its 'efforts to build a new international order' (p.40).

³² Rix, *Japan's Comprehensive Security and Australia*, p.80.

³³ *ibid.*, p.79.

³⁴ The initiative's three pillars are: 'cooperation for peace', 'promotion of international cultural exchange', and 'expansion of official development assistance'. *Defense of Japan 1990*, p.81.

of security, Japan has substantially increased its economic assistance to countries deemed to be of strategic importance to the Western alliance, and provided increased levels of financial assistance to defray the costs of United States troops stationed in Japan and in support of allied deployments overseas. Japan's substantial financial contribution to the multi-national forces deployed against Iraq during the Gulf crisis was consistent with this 'money for guns' approach, although Japan's Gulf policy was clearly a series of *ad hoc* political compromises cobbled together at the last moment, following the embarrassing failure of the government's attempts to despatch elements of the JSDF to the Persian Gulf.³⁵

The security treaty with the United States, incorporating wide-ranging military, political, economic and technical cooperation, is still regarded by Tokyo as fundamental to national security, despite suggestions that Japan might have to consider alternative security strategies in the light of the more complex, multi-polar world of the 1990s. The arguments in favour of retaining the US-Japan treaty as the cornerstone of Japan's security posture were set out by Takakazu Kuriyama, Vice-Minister of Foreign Affairs, in a seminal paper entitled 'New Directions for Japanese Foreign Policy in the Changing World of the 1990s'.³⁶

Essentially, the Kuriyama paper presents a case for Japan to take a more active and constructive role in building a new international order in conjunction with the US and Western Europe. The paper's central thesis is that while US power has decreased in relative terms, it is still preeminent in both the strategic and economic domains. Nevertheless, the US can no longer assume sole responsibility for protecting the broad interests of the industrial

³⁵ Japan contributed US\$11 billion, plus another US\$2 billion in economic assistance to countries most affected by the United Nations sanctions against Iraq. It also transported over 1,000 evacuees, on board four civilian aircraft, to their home countries. See *Japanese Foreign Ministry Press Release, No. 0091-19 of 7 February 1991*, for a full breakdown of Japan's financial contributions.

³⁶ This paper, written in 1990, is of great significance because it is widely regarded as representing the views of the Japanese foreign policy establishment.

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democracies, and Japan and Western Europe should assume a greater portion of this burden. Kuriyama notes, however, that within this trilateral relationship there are special ties linking Japan and the US 'which cannot exist in the Japan-Western Europe side of the triangle' because of geopolitical imperatives and the alliance relationship with the US.³⁷

Kuriyama advances three arguments for the continuing relevance of the US alliance to Japan. First, the US-Japan Security Treaty deters Soviet military adventurism - the threat of which has not diminished, however much the Soviet Union may have changed in other respects. Second, the treaty provides a 'foundation on which positive dialogue with the Soviet Union may take place', particularly in regard to the unresolved Northern Territories issue and the related question of 'concluding a peace treaty'. Third, the treaty is the cornerstone for stability and development in the Asia and Pacific region'. Kuriyama also acknowledges the security treaty's function in rendering 'international credibility to Japan's fundamental stance that it will not become a major military power, thus facilitating the acceptance of a larger political and economic role for Japan by its neighbours'.³⁸

The arguments in favour of maintaining and strengthening the US alliance have been reinforced by the Gulf crisis and the failure of the Gorbachev visit to cut the Gordian knot on the status of the Kurile Islands, which remains the major impediment to improved Soviet-Japanese relations. The Gulf crisis brought home to the government, and to a lesser extent the Japanese public, the nation's vulnerable dependence on critical energy resources, as well as highlighting Japan's relative inability to safeguard its oil supplies in the Middle East or to significantly affect the outcome of the confrontation between Iraq and the US-led multinational coalition. Apart from frustration, and a degree of embarrassment over the widespread international perception of Japan's strategic impotence, the Gulf crisis reaffirmed the

³⁷ T. Kuriyama, 'New Directions for Japanese Foreign Policy in the Changing World of the 1990s' (Ministry of Foreign Affairs, Tokyo, 1990), p.23.

³⁸ *ibid.*, pp.24-26.

centrality of the US security relationship in the collective mind of the Japanese defence and foreign policy community.³⁹

The Gorbachev visit, which initially raised hopes of a substantive change in the region's Cold War alignments, failed to advance the cause of Soviet-Japanese rapprochement.⁴⁰ Gorbachev's clearly weakened domestic position renewed fears in Tokyo that the Soviet Union faced a prolonged period of political instability, which would not only retard and complicate attempts to improve bilateral relations, but might also pose a direct threat to Japan's own security. For the foreseeable future, therefore, Japan will continue to operate within the familiar US alliance framework, albeit one modified by the financial exigencies of the massive US balance of payments deficit. The US is clearly committed to retaining a substantial military presence in Japan, although there will be some reductions and restructuring of US theatre forces.⁴¹ As a result, Japan will be required to increase its financial contributions to US forces based in-country and to take a greater responsibility for sea-lane defence.⁴²

The Japanese government is also coming under increasing pressure from the US, and from conservatives at home, to redefine the JSDF's role in the aftermath of the Gulf crisis and in the new political and strategic circumstances of the 1990s. It is probable that the JSDF will eventually be permitted to participate in UN-sanctioned peace-keeping operations, and that there will be further overseas deployments of military personnel in non-combat-related roles, such as the April 1991 despatch of mine-sweepers to the Gulf. Both measures clearly have majority public support and will go some way

³⁹ Interviews with Japanese Defense and Foreign Ministry officials, Tokyo, April 1991.

⁴⁰ It has been pointed out, with some justification, that expectations of a settlement of the Kurile Islands imbroglio during Gorbachev's visit were unrealistic, and that Soviet preparedness merely to consider negotiations represented progress of a kind.

⁴¹ See report submitted by the Department of Defense to the Congress in April 1990, entitled 'A Strategic Framework for the Asian Pacific Rim: Looking Forward to the 21st Century'. The report was written after a major review of US strategic interests and military deployments in the Asia-Pacific region.

⁴² *Defense of Japan 1990*, p.54.

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to rebutting criticisms that Japan is not fulfilling its international responsibilities and obligations.⁴³

Australia's Political and Strategic Interests in Japan

The future of the US-Japan security alliance and Japan's regional security role are issues of direct concern for Australia, because of Japan's centrality to the regional and global balance of power and its position as Australia's most important trading partner. Australia's principal strategic and political interest is to ensure that Japan remains a stable, peaceful and responsible member of the international community, and utilises its considerable influence and power in a constructive manner.

Defence cooperation will feature more prominently in Australia's relations with Japan; a development which is overdue, given the importance of Japan to Australia's security, and the distorting dominance of trade issues which has tended to unbalance the overall relationship. Since the late 1950s, Australia has maintained only the most tenuous of defence links with Japan⁴⁴ despite their respective military partnerships with the United States and the rapid expansion of bilateral economic and cultural ties. Japanese constitutional restraints and Australian domestic political sensitivities mitigated against defence cooperation in the early years of the post-

⁴³ A public opinion poll, conducted in March 1991, showed that 67 per cent of those polled were critical of Japan's Gulf policy but nearly 60 per cent supported the participation of JSDF personnel in peace-keeping operations. *Nihon Keizai Shinbun* ('Nikkei'), 29 March 1991. A Yomiuri Shimbun Survey, published on 26 April 1991, found that three out of four Japanese supported the decision to deploy mine-sweepers. The initiative also received broad regional endorsement, including from the ROK. *Far Eastern Economic Review*, 9 May 1991, p.19.

⁴⁴ Apart from Defence Attaches who were exchanged in the early 1960s, occasional ceremonial visits by senior military officers, and the triannual attendance of a Japanese officer of colonel rank at the Australian Joint Services Staff College. *Australian*, 30 April 1990.

Second World War relationship. Defence attaches were exchanged in the early 1960s, but apart from irregular naval ship visits, and the occasional, largely ceremonial meetings between senior military officers, there was little dialogue or substantive exchange on matters of mutual defence interest, either bilaterally or regionally, before the Hawke Labor Government came to power in 1983.

Early in the Hawke Government's first term of office, Foreign Minister Hayden, aware of residual domestic sensitivities about renewed Japanese militarism, expressed reservations about any sudden changes to the JSDF's force structure and capability which might suggest a regional security role.⁴⁵ However, following the visit of Prime Minister Hawke to Tokyo in February 1984, reciprocated by his counterpart Nakasone in January 1985, Australia adopted a more positive and supportive attitude towards Japanese security concerns.⁴⁶ The barriers to closer defence cooperation were further reduced by changes in the international security environment in the late 1980s. Chief among these were a reduction in East-West tensions in the aftermath of the Cold War, and doubts about the US military commitment to the Asia-Pacific region. These changes prompted Canberra to articulate a new security strategy featuring closer defence cooperation with key Asian and Pacific neighbours, including Japan, reinvigorating the Five Power Defence Arrangement, and exploring the possibilities for a regional security framework.

In early 1989, the Australian Chief of the Defence Force, General Peter Gration, went to Tokyo in the first of a series of high-level visits by senior Australian defence officials and military officers aimed at establishing the foundations for closer bilateral defence ties. He was followed in March 1990 by Dr Paul Dibb (Deputy Secretary of Defence), accompanied by Vice-Admiral Alan Beaumont (Deputy Chief of the Defence Force), and in April by another senior naval officer, Vice-Admiral Hudson. The most significant of these was the delegation of officials led by Dibb, the first of its kind to visit Japan since the end of the Second World War.⁴⁷ The Dibb team conducted broad-ranging discussions with the Japanese Ministry of Foreign Affairs and the Japanese Defense Agency, on topics which included

⁴⁵ Rix, 'Japan's Comprehensive Security and Australia', p.83.

⁴⁶ *ibid.*, p.83.

⁴⁷ *Australian Financial Review*, 6 April 1990.

the changing nature of East-West relations, the planned visit by Soviet President Gorbachev to Japan in April 1991, and the consequences of a United States withdrawal from the Philippines. Preliminary talks were also held on the possibility of intelligence exchanges and defence science cooperation.⁴⁸

Hard on the heels of Paul Dibb came Japan's Minister for Defense, Yozo Ishikawa, who arrived in Canberra with minimum fanfare on 1 May 1990 - the first time a Japanese Defense Minister had ever visited Australia.⁴⁹ Minister for Foreign Affairs and Trade, Gareth Evans, continued the expanding dialogue on security issues in Tokyo in June and, after another Prime Ministerial appearance by Bob Hawke in September, this unprecedented sequence of visits concluded in October with the arrival in Australia of General Taizo Terashima, Chairman of the JSDF's Joint Staff Council.⁵⁰

Japan responded positively to the Australian initiative because it too saw a need to develop a more regionally orientated defence posture. Tokyo was also acutely aware that the relative decline in United States military capabilities and Washington's softening perception of the Soviet threat would complicate Japan's defence planning. It was considered prudent, therefore, in the new era of multipolarity, to engage in dialogue on issues of mutual security interest with like-minded countries. Australia was seen as a reliable ally, a force for stability in the region, and sympathetic to the idea of an enhanced security role for Japan. Moreover, the Australian Defence Force has long experience in operating with US forces and is known for its professionalism, characteristics which are attractive to the JSDF.

In the future, bilateral defence cooperation will almost certainly be extended to include more frequent exchanges of personnel,⁵¹ information, ship visits, and academic conferences on strategic issues. There is also the possibility that Australia may invite Japanese Maritime Self-Defense Force (JMSDF) personnel to observe

48 *ibid.*

49 *Australian*, 30 April 1990.

50 *Australian Financial Review*, 16 October 1990.

51 Australia has, for the first time, a Defence Attache designate at a Japanese Defense College, while Japan sends a colonel-level officer to the Joint Services Staff College every two years.

naval exercises in Australian waters, and that there will be regular attachments of Australian and Japanese defence personnel to each other's training colleges.⁵² The Japanese are particularly interested in the use of Australian defence facilities for JSDF training, research and development, and equipment testing. There have already been suggestions, for example, that the new Japanese FSX fighter aircraft might be tested at the Woomera Rocket Range in South Australia.⁵³

Australia's decision to upgrade bilateral defence links stems from a belief that Japan will, over the course of time, accrue a greater measure of political and strategic influence, to match its economic and technological strength. While there is room for debate about the inevitability or desirability of an enhanced strategic role for Japan, it is difficult to contest the Hawke Government's underlying assumption that it would be unwise and counterproductive to isolate Japan from the expanding regional dialogue on security issues. By engaging Japan on these issues, Australia will at least have an opportunity to influence and shape Japan's security policies in a form and manner consistent with Australia's own objectives.

There are, of course, risks attached to an expanded defence relationship with Japan and arguments, both in Australia and in the region, about the direction this process should take. For example, while Opposition Liberal-Country Party (LCP) leader, John Hewson, has accepted that Japan should adopt a more active and prominent international profile, he has rejected the notion of a broader security role for the JSDF. Hewson argues that there is little popular enthusiasm in Japan for a Japanese international military role, even in peace-keeping, and that 'regional tensions would be aggravated unnecessarily'.⁵⁴

⁵² Interviews with officials of the Department of Foreign Affairs and Trade, Canberra.

⁵³ This subject was apparently raised by Defence Minister Ishikawa during his visit in May 1990. The FSX is being jointly developed, by General Dynamics and Mitsubishi Heavy Industries, as an advanced version of the F-16 (Falcon) fighter aircraft. *Age*, 30 September 1990.

⁵⁴ *Age*, 11 October 1990.

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Many of Japan's neighbours are also apprehensive about the idea of Japan projecting itself militarily into the region, particularly in the context of a US withdrawal from the Philippines and the Pacific power vacuum which, some argue, might eventuate. A number of Southeast Asian countries are also uneasy about US pressure on Japan to assume greater responsibility for sea-lane security, fearing that this might prove a suitable pretext for Japan to extend its military reach beyond the existing 1,000-mile maritime security zone.⁵⁵ The acceptance by most regional countries of Japan's deployment of mine-sweepers to the Persian Gulf would suggest that these fears have eased.⁵⁶ However, Australia will need to ensure that its expanding defence links with Japan take account of regional and domestic sensitivities, and do not proceed too quickly or in a manner which would jeopardise Australia's relations with other countries of the region, notably China and the ROK.

Regional Security

There are a number of other issues relating to Japan's role which Australia will have to address. Foremost among these is the question of a future regional security framework and what form, if any, it should take. When Australia's Minister for Foreign Affairs and Trade first floated his proposal for a Conference on Security and Cooperation for Asia (CSCA) Japan was unenthusiastic, believing that the CSCA might weaken its security ties with the United States. The Japanese also contended that a European-style institutional framework was both premature and inappropriate for the Asia-Pacific region, because of the disparate interests and political and ideological diversity of regional states.⁵⁷ There are no indications that Japan's

⁵⁵ See, for example, F.Burlatskiy, 'Japan and the Security of Southeast Asia: Fearing the Juggernaut?', *Asian Defence Journal*, November 1990, pp.28-30, and Gregory Clarke's article in the *Australian*, 26 October 1990.

⁵⁶ *Asiaweek*, 17 May 1991, p.27.

⁵⁷ *ibid.*

views on a CSCA have changed, and the proposal itself has run into problems with the United States.⁵⁸

Despite doubts about the CSCA, there is a reasonable prospect that, over time, some kind of regional security forum or dialogue process will evolve, possibly along the lines of the less ambitious Evans proposal for confidence-building measures and sub-regional building blocks.⁵⁹ From Australia's viewpoint, Japanese involvement in such a process is essential for a number of reasons:

- The exclusion or absence of Japan would seriously weaken the prospects for greater regional security cooperation, because of Japan's status as the leading economic and financial power in Asia.
- Regional dialogue on security issues would serve to reduce tensions and encourage the kind of conflict resolution and accountability which was sadly absent when Japan embarked on its disastrous conquest of Asia fifty years ago.
- Greater cooperation on security matters would facilitate Japan's integration into the region and complement existing economic structures, such as APEC.
- Regional security cooperation could prove a useful adjunct to existing bilateral and multilateral defence arrangements, and could facilitate the resolution of international security disputes of a non-military nature, such as rain forest destruction, and the depletion of ocean resources, many of which involve Japan.

⁵⁸ The US objection seems to be related to a fear that the Soviet Union might hijack the framework or agenda to pursue its long-held goal of naval arms control in the Pacific. *Age*, 24 April 1991.

⁵⁹ See D. Ball, *Air Power, the Defence of Australia and Regional Security*, Working Paper No.229 (Strategic and Defence Studies Centre, Australian National University, Canberra, 1991), pp.18-20.

Appropriate Defence

Perhaps the most critical defence interest, and one which Australia shares with the region, is the question of Japanese rearmament or, as one analyst has postulated, how much, and in what manner, Japan should rearm.⁶⁰ Numbering some 154,000 personnel, the JSDF is comparable in size with the conventional forces of Germany and France.⁶¹ This is a force of modest proportions given Japan's population and global status. Japan, of course, does not have the area to defend of China or the Soviet Union, nor is it directly confronted by large, combat-ready forces as in the case of the two Koreas.

Excluding the US and the Soviet Union, Japan has by far the largest defence budget in Asia, and the third or sixth largest globally, depending on which method of calculation is used.⁶² Japan's 1990 defence budget, totalling ¥4.16 trillion (US \$30 billion), is equal to the combined military budgets of its Northeast Asian neighbours, China, Taiwan and the two Koreas.⁶³ However, much of the increase in dollar terms has been due to the sharp appreciation of the Yen since 1985, and the strong growth in the Japanese economy. Japan's defence spending as a percentage of budget outlays has remained fairly constant at around one per cent of GNP, which is the lowest of all the Northeast Asian states and far less than Australia's in percentage terms.

⁶⁰ W.Griffith, 'The Geopolitics of East and Southeast Asia', in Ellison (ed.), *Japan and the Pacific Quadrille*, p.43.

⁶¹ These are only rough approximations, but they give some sense of the relative capabilities and strengths of nations which rank nearest to Japan in terms of the indices of power: Gross National Product (GNP), population, political and economic influence.

⁶² Pensions are not normally included in Japan's calculations, but they are in those of NATO. Japan argues that if pensions are omitted, then Japan would rank sixth, not third, in levels of military expenditure. Briefing to the Defence Subcommittee of the Parliamentary Joint Committee on Foreign Affairs, Defence and Trade by the Japanese Embassy, Tokyo, 4 December 1990.

⁶³ My calculations from data provided by the International Institute for Strategic Studies (IISS).

The underlying reason for the concern about whether Japan is exceeding the self-imposed limit of one per cent of GNP on defence⁶⁴ is that, even if the ceiling is maintained at the current level of GNP, military outlays will continue to increase as the size of the economy grows. Some critics have argued that Japan will acquire, by osmosis, a formidable military capability which it may be tempted to use in ways which are inimical to other regional states. The more extreme adherents of this view contend that Japan's advanced industrial and technological base, including its extensive nuclear-power infrastructure and rapidly developing space program, would enable it to very quickly establish sophisticated, state-of-the art, conventional and nuclear forces, which might be deployed offensively if, for example, essential food or energy imports were threatened.⁶⁵

What this view ignores, or at least underestimates, however, are the considerable emotional, political and constitutional restraints on Japan's military capability. While Article Nine of the Constitution does not legally proscribe JSDF force expansion or modernisation, it does restrict certain classes of weapons systems and platforms which are clearly offensive in nature, such as aircraft carriers, long-range transports and heavy bombers. The Constitution is also a significant political barrier to militarisation because any reinterpretation of what is legitimate self-defence must be measured against the barometers of domestic and international acceptability.⁶⁶

⁶⁴ There is much dispute about the actual system for calculating the one per cent ceiling, which was exceeded for the first time in 1987. If the NATO system of assessment is used, the figure would be closer to 1.5 per cent.

⁶⁵ See, for example, N. Lindeman, *Japan Threat: Australia and New Zealand in the Coming World Crisis* (Nicholas Lindeman, Armidale NSW, 1976), pp.5-6. Lindeman contends that Japan 'possesses a powerful motive for attacking' Australia, because she lacks indigenous resources of food, energy and raw materials, and that 'she alone at present has both the military strength and the maritime capability to launch a major invasion of Australia ...'.

⁶⁶ J. Van de Velde, 'Article Nine of the Postwar Japanese Constitution: Codified Ambiguity', *Journal of Northeast Asian Studies*, (Vol.VI, No.1), Spring 1987, p.42.

Japan has not renounced the utility of nuclear deterrence, nor has it foreclosed the option of developing an independent nuclear force. However, Japan relies on the shield provided by US theatre nuclear forces to deter would-be protagonists by raising the threshold of both nuclear and conventional attack, thus enabling it to remain ostensibly free of nuclear weapons and committed to nuclear disarmament.⁶⁷ Japan's 'three non-nuclear principles'⁶⁸ would greatly complicate any Japanese decision to develop a nuclear-weapons capability, particularly while the US-Japan Security Treaty remained in effect. The domestic nuclear industry is subject to an International Atomic Energy Agency (IAEA) safeguards regime, and any attempt to circumvent its conventions would be quickly detected and almost certainly invite international condemnation, as well as provoking widespread domestic opposition from a public which remains implacably opposed to nuclear weapons.

For these reasons, it is doubtful whether any Japanese government would countenance a radical departure from current defence policy or practice in the short-to-medium term. Even among the defence and foreign policy establishment, there is little sentiment in favour of an expansion in the JSDF's capabilities. The Kuriyama paper, for example, explicitly rejects the notion of a more assertive national military posture, pointing to the 'tragic consequences' of Japan's choice of force to change the international order in 1941.⁶⁹ Kuriyama argues that Japan can and should play a more active role in world affairs but 'through non-military means'.⁷⁰

Australia should lend its weight to the Kuriyama view that Japan would be best served by channelling its energies into non-military fields. With its existing commitments, and assuming the

⁶⁷ J. Van de Velde, 'Japan's Nuclear Umbrella: US Extended Nuclear Deterrence for Japan', in *Journal of Northeast Asian Studies*, (Vol.VII, No.4), Winter 1988, p.37.

⁶⁸ These are non-possession and non-production of nuclear weapons, and refusal to allow their introduction into Japan. The latter, of course, has been breached by the presence of United States nuclear-armed warships in Japanese ports.

⁶⁹ Kuriyama, 'New Directions for Japanese Foreign Policy in the Changing World of the 1990s', p.13.

⁷⁰ *ibid.*, p.19.

continuation of a strong United States strategic presence in the region, there would seem little justification for a significant increase in the size of the JSDF, or a major change in its structure. The danger that a sudden withdrawal of United States forces from the Pacific might create pressures in Japan for a compensating increase in the size of the JSDF now seems to have receded, given Washington's palpable determination to retain a substantial military presence in the North Pacific.

On the question of actual deployments, Australia has so far accepted the legitimacy of Japan's sea-lane defence role with greater equanimity than many other countries in the region. Both LCP and Labor governments have done so because Japan has legitimate defence concerns, particularly *vis-à-vis* the Soviet Union, and because it demonstrably shares Western security interests and goals as an integral part of the US alliance structure in the Asia-Pacific region. The Hawke Government has also indicated that it would welcome a peace-keeping role for the JSDF and has generally encouraged Japan to play a more active role globally. These policies are consistent with Australia's long-term strategic interests in ensuring that Japan continues to exercise its natural leadership role in a peaceful and constructive manner. Japan's involvement in UN peace-keeping operations, and in clearly defined non-combat roles, is an appropriate middle course, which allows Tokyo to counter criticism that it is 'free-riding' on defence without unduly offending the sensibilities of its neighbours.

However, it would not be in Australia's interests for Japan to develop a capacity to project military power well beyond the limits of maritime defence as presently construed, or to acquire nuclear weapons or 'intelligent', non-nuclear space weapons. Australia should also discourage Japanese exports of dual-use technologies which have military applications. Equally, Australia should make clear its opposition to suggestions that Japan should develop an autonomous defence capability consonant with a strategy of military self-reliance.⁷¹ Military self-reliance is neither feasible nor desirable. The level of expenditure required to provide a genuinely independent capacity to defend the Japanese homeland against major attack would severely tax even Japan's robust economy, and would be well beyond the scope of

⁷¹ Shintaro Ishihara, an ultra-nationalist Diet member, has proposed just such a policy. *Far Eastern Economic Review*, 20 June 1991, p.52.

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current defence expenditure. Such a policy would attract little support domestically or internationally, and could well ignite a regional arms race. As remarked by one former Chinese military officer:

The day that we see more Japanese destroyers in Asian waters than ships from the US 7th Fleet, that day Japan will be seen as a threat.⁷²

In the final analysis, the US security relationship remains the most critical constraint on future Japanese rearmament, in both the conventional and the nuclear arenas. This is acknowledged by the Japanese themselves,⁷³ and is a powerful argument for Australia continuing to support the maintenance of the US-Japan Security Treaty, regardless of the outcome of proposals for enhanced regional dialogue on security issues. The abrogation of the US-Japan Security Treaty, in the absence of an alternative framework acceptable not only to Japan but also to its neighbours, could destabilise the region and jeopardise Australia's own relationship with Japan.

⁷² *ibid.*

⁷³ *ibid.*

CHAPTER 2

JAPAN: ECONOMIC SECURITY

Historical Economic Linkages

It is not generally appreciated that Australia had a vibrant trade relationship with Japan in the 1920s and 1930s, based on wool, wheat and meat. In the late 1920s, exports to Japan accounted for around 7 per cent of total exports and by 1935-36, the percentage of total exports destined for the Japanese market had reached 14 per cent, which made Japan Australia's second largest market.¹ Imports from Japan, mainly of textiles and silk-piece goods, were significantly lower in both volume and percentage terms, but they still comprised 6 per cent of total imports in 1935-36.² Trade virtually ceased during the Second World War, and thereafter rose slowly to pre-war levels. In 1957-58, before the signing of the watershed Australia-Japan Agreement on Commerce,³ Japan was Australia's third most important trading partner, receiving 13 per cent of Australia's exports (A\$205 million) and providing 2 per cent of imports (A\$47.6 million).⁴

The 1957 Agreement on Commerce provided a much needed framework for the economic relationship and symbolised the political reconciliation between the two former wartime adversaries, ending a long period of mutual distrust and antagonism dating back to the previous century.⁵ Much of the impetus for improved relations came

¹ From data supplied by the Department of Trade and Industry in J. Stockwin (ed.), *Australia and Japan in the Seventies* (Angus and Robertson in association with the Australian Institute of International Affairs, Sydney, 1972), Appendix 2, p.211.

² *ibid.*

³ This agreement, which caused considerably controversy at the time, was the culmination of almost 18 months of trade talks, and followed the relaxation in import licensing of Japanese goods in 1954. A. Renouf, *A Frightened Country* (Macmillan, South Melbourne, 1979), p.63.

⁴ Stockwin, *Australia and Japan in the Seventies*, p.221.

⁵ For a more detailed treatment of Australia's historical attitudes towards Japan, see A. Dupont, *Australia's Threat Perceptions: A*

from the Country Party, led by John McEwen. McEwen saw Japan as an alternative market for Australia's primary products at a time when Australia's traditional markets in the UK and Europe were threatened by the emerging European Economic Community. He was supported by Prime Minister Robert Menzies who, despite his strong emotional attachments to Britain, recognised that:

Japan was, and would be for many years to come, the greatest industrial nation in the Western Pacific ... that in consequence she would be ... a large importer of primary products and minerals of which we were, and are, producers!⁶

Menzies prescience was borne out by the extraordinary growth in bilateral trade between 1958 and 1978. In the first decade in which the Agreement on Commerce was in effect, Australia's exports quadrupled from A\$205 million (1958-59), to A\$822 (1968-69), and in the following decade (1978-79), increased five-fold to A\$4.1 billion. Japan's share of Australia's exports in the same period increased from 12.6 per cent (1958-59) to 28.8 per cent (1978-79), having peaked at 34 per cent in 1976-77. Imports showed a similar growth pattern, representing 3.8 per cent of total imports in 1958-59 (A\$60 million), and 17.6 per cent in 1978-79 (A\$2.4 billion).⁷

The extent of Australia's trade reorientation away from the UK and Europe towards Japan is clearly illustrated in the following figures. In the early 1950s, nearly 60 per cent of Australia's exports went to Western Europe, and one third to Britain alone. In the space of two decades, this pattern was almost reversed. By 1975, Western Europe accounted for only 16 per cent of Australian exports, and the

Search for Security, Canberra Papers on Strategy and Defence No.82 (Strategic and Defence Studies Centre, Australian National University, Canberra, 1991).

6 Cited in G. Greenwood, *Approaches to Asia: Australian Postwar Policies and Attitudes* (McGraw Hill, Sydney, 1978), p.191.

7 *Foreign Trade, Australia: Exports and Imports*, Australian Bureau of Statistics (ABS), cat. no.5409.0.

United Kingdom a tiny 4 per cent. By contrast, Japan received one third (33.1 per cent in 1974-75).⁸

Initially foodstuffs, coking coal, iron ore and wool made up the bulk of Australian exports to Japan. In 1970, Australia provided nearly half of Japan's bauxite, one third of her coking coal and around 25 per cent of her iron ore and concentrates.⁹ As a result, between 1965-66 and 1974-75, gross output in the mining sector grew four times as fast as gross domestic product,¹⁰ providing a major stimulus to the Australian economy. Japan also took a very high proportion of Australia's agricultural exports. Japan's growing economic importance to Australia was reinforced by the increase in volume and percentage terms of Japanese imports, which made up over 20 per cent of total imports by 1976-77.¹¹ This exponential growth in two-way trade had already made Japan Australia's most important trading partner by 1970.

In the mid-1970s, Australia-Japan trade entered a new phase. Australian exports of foodstuffs, coking coal, iron ore, and wool, began to decline as a proportion of trade while the share of energy commodities, particularly steaming coal and liquid natural gas, manufactures and other raw materials increased.¹² On the Japanese

⁸ P. Drysdale, 'Australia and Japan in the Pacific and World Economy' in P. Drysdale and Hironobu Kitaoji, *Japan and Australia: Two Societies and Their Interaction* (Australian National University Press, Canberra, 1981), pp.421-422; and N. Meaney, T. Matthews, S. Encel, *The Japanese Connection: A Survey of Australia's Leaders' Attitudes Towards Japan and the Australia-Japan Relationship* (Longman Cheshire, Melbourne, 1988), Appendix III, p.148.

⁹ H. Arndt, 'Australia's Economic Relations with Japan: Dependence or Partnership', in J. Stockwin (ed.), *Australia and Japan in the Seventies*, p.32.

¹⁰ *Report of the Ad-Hoc Working Committee on Australian-Japan Relations* May 1978 (Australian Government Publishing Service, Canberra, 1978), p.41.

¹¹ *ibid.*

¹² P. Drysdale, N. Viviani, Akio Watanabe and Ippei Yamazawa, *The Australia-Japan Relationship: Towards the Year 2,000* (Australia-Japan Research Centre and Japan Center for Economic Research, Canberra and Tokyo, September 1989), p.18.

side, capital and technology-intensive manufactures supplanted those produced primarily by labour as the dominant category of exports to Australia.¹³ Perhaps the most significant development, however, in terms of the composition of trade, has been the growth in services, especially in tourism and financial services. While still small in absolute terms, this sector is growing extremely rapidly. In 1982, Japanese comprised only 5.7 per cent of tourists arriving in Australia, but in 1990, that percentage had risen to 21.2 per cent. Some 500,000 Japanese are expected to visit Australia in 1991, and the projections are for two million a year by the end of the decade, which would represent about one third of the total foreign tourist traffic.¹⁴ In addition, many Japanese are also beginning to contemplate spending part of their retirement years in Australia.¹⁵

Table 1: Selected Exports to Japan, 1989-90*

Commodity	A\$ million	Percentage Exported To Japan and Rank
Coal	3,140	54 (1)
Aluminium	1,258	55 (1)
Iron Ore	1,182	54 (1)
Beef	813	35 (2)
Gold	687	24 (2)
Gas	329	67 (1)
Woodchips	365	97 (1)
Zinc Ore	305	46 (1)
Cotton	226	40 (1)
Crustaceans and Molluscs	242	50 (1)

Source: ABS

* Preliminary and subject to revision

¹³ By 1988, the combined share of capital and technology intensive manufactures had increased to about 92 per cent of total Japanese exports to Australia. *ibid.*

¹⁴ *Age*, 19 June 1991.

¹⁵ *Age*, 4 March 1991 and *Asahi Evening News*, 29 March 1991.

The Economic Relationship Today

Looking at the economic relationship today in profile, the following statistics highlight the importance of Japan to Australia's future economic well-being:

- Since 1970, Japan has consistently taken over 25 per cent of all Australian exports and, since 1980, has provided around 20 per cent of imports.¹⁶
- In dollar terms, 1988-89 two-way trade was well over A\$22 billion,¹⁷ making Japan our single most important trading partner by a significant margin over the US, the second-ranked nation, and a substantial margin over all other trading partners. Australia now exports more manufactured goods to Japan alone than all her exports to the UK, and has considerably more total trade with Japan than with all of Western Europe.¹⁸
- Japan's pre-eminence as a trading partner is reinforced by the high percentage of key commodities which it takes from Australia, illustrated in Table 1.
- The economic relationship is no longer based on merchandise and commodity trade. Trade in services, particularly tourism, is growing rapidly. The net effect of these changes will be to enhance Japan's position as Australia's most important trading partner, and more than compensate for the plateauing in some traditional exports of raw materials.
- Total Japanese investment in Australia has increased substantially in the past decade. Although it is still primarily directed at the tourist and real estate sectors,

¹⁶ *Direction of Trade Australia, Time Series 1971-72 to 1988-89*, Central Statistics Section (CSS), Department of Foreign Affairs and Trade (DFAT).

¹⁷ *Foreign Trade, Australia*, ABS.

¹⁸ Drysdale et al., *The Australia-Japan Relationship*, p.52.

and is criticised for being too narrowly focused,¹⁹ it is nevertheless an important source of finance. If Japanese investment were to dry up, as some commentators have predicted,²⁰ this would severely disrupt the Australian economy.

Comprehensive Security

It is clear from this brief analysis that Australia's trading relationship with Japan is fundamental to Australia's future economic security, notwithstanding the relative decline of Japan's importance over the past 15 years compared with Australia's other Northeast Asian trading partners.²¹ For this reason alone, Australia has a major interest in ensuring the stability of the relationship, because any significant shift in Japan's economic policy or circumstances is likely to have a disproportionate effect on Australia, particularly if the nature and consequences of such changes were not anticipated or fully understood by Canberra.

Such changes might occur as a result of deliberate policy decisions by Japan, or as the unintended consequences of events or decisions not related to the bilateral relationship. A prime example of the former is Japan's Comprehensive Security initiative which, while not directed specifically at Australia, has potentially far-reaching ramifications for Australia's economic interests. Two of the six elements of the policy of Comprehensive Security are designed to guarantee Japan's food and energy requirements through diversification of suppliers, thus ensuring stable, long-term sources of competitively priced food and energy raw materials. As Australia is a major provider of these commodities to the Japanese market, there is a risk that Australia's market share might erode if Japan were to adhere strictly to the dictates of Comprehensive Security.

¹⁹ *Australian Financial Review*, 19 July 1990.

²⁰ *ibid.*

²¹ China, the ROK and Taiwan accounted for 20 per cent of Australia's exports in 1988, compared with 13 per cent in 1975, while Japan's share has stabilised at around 26 per cent. Drysdale *et al.*, *The Australia-Japan Relationship*, pp.24 and 28.

As has already been noted, many of the Australian exports of raw materials and agricultural products, which fuelled the first wave of expansion in bilateral trade, have declined in importance in both relative and absolute terms. While part of this decline has been due to structural changes in the Japanese economy, it is also related to Japan's application of the comprehensive ethos. For example, at the 14th Australia-Japan Coal Conference, held in October 1990, the Executive Vice-President of the Tokyo Electric Power Company, Mr Toshiyuki Kondo, told the conference that although his country's demand for steaming coal would increase, Japan would attempt to reduce its high dependence on Australian coal by seeking alternative suppliers. This was despite Australia's reputation as the most competitive coal producer in the world.²² Japan has also subsidised inefficient domestic and international coal producers in order to reduce its dependence on Australian coal. Around 10 per cent of steaming coal used in Japan is still produced by Japanese mines at twice or two and a half times the world price, which represents a subsidy of about A\$2 billion dollars.²³ In Canada, Japanese coal buyers have generously supported the Quintette mine, which has operating costs far in excess of the international market and could not survive without Japanese assistance.²⁴

Australian exports of uranium and rare metals could also be affected. At present, Australia is a principal supplier of manganese, cobalt, vanadium, nickel and uranium ore to Japan.²⁵ Australia's record as a stable, competitive low-risk supplier has so far enabled it to capture a significant share of this expanding market, in which Japan is heavily reliant on imports. However, in the longer term, these factors may not be enough to guarantee Australia its current market share.

Japan's quest for food security is diametrically opposed to Australia's interests as a major supplier of agricultural products and processed foodstuffs. Apart from having one of the most highly

²² *Australian Financial Review*, 29 October 1990.

²³ From data supplied by the Australian Embassy, Tokyo, April 1991.

²⁴ Presentation by J. Doherty at the Australian Coal Supply Symposium, National Agricultural and Resources Outlook Conference, 30 January 1991.

²⁵ Rix, 'Japan's Comprehensive Security and Australia', p.82.

protected agricultural sectors in the world,²⁶ Japan is highly import-dependent in a number of staple food products (wheat, feedgrains), but self-sufficient in others, such as rice and vegetables,²⁷ although many of these home-grown items are produced by heavily subsidised, inefficient, local farmers.²⁸ Japan has worked assiduously to improve its food self-sufficiency and current projections indicate that it will achieve some success in this endeavour in the medium-to-long term, particularly in the areas of wheat, soybean grains and sugar.²⁹ In addition, as with other sectors, the logic of Comprehensive Security has led Japan to seek alternative sources of food supply. The combined impact of these two processes has been to restrict Australia's food exports to Japan.³⁰

These developments have clearly concerned the Australian government and precipitated Prime Minister Hawke's plea, at the October 1990 Japan-Australia Diet Members Friendship League, for Japan to ease agricultural protection - which he argued was unnecessary, because Australia could be trusted as a reliable food supplier.³¹ Minister for Foreign Affairs and Trade, Gareth Evans, was equally insistent that Japan should recognise that 'food security should not, in this day and age ... be the only consideration that counts'.³² The question of food security, and Australia's access to Japan's lucrative market for foodstuffs, is likely to continue as a significant issue in the

26 Drysdale *et al.*, *The Australia-Japan Relationship*, p.56.

27 Rix, 'Japan's Comprehensive Security and Australia', p.82.

28 The ruling Liberal Democratic Party is extremely sensitive to pressure from domestic suppliers to restrict foreign imports, because of its traditional reliance on political support from rural electorates.

29 Rix, 'Japan's Comprehensive Security and Australia', p.82.

30 *ibid.* Excluding meat and cereals, exports of foodstuffs to Japan dropped from 9 per cent of total exports in the mid-1970s to 7.6 per cent in 1988. Drysdale *et al.*, *The Australia-Japan Relationship*, p.56.

31 *Australian Financial Review*, 20 September 1990.

32 *ibid.*

bilateral relationship, notwithstanding both countries' agreement on the need for 'a freeing up of the global economic system'.³³

Adjusting to Change in the Japanese Economy

Another challenge to the economic relationship, and one which will have far-reaching consequences for the nation's long-term economic security, is Australia's capacity to accurately predict and adapt to the structural changes which are currently taking place in the Japanese economy. The weight of the Japanese economy has shifted away from the labour-intensive industries of the 1960s and 1970s towards the more capital and technology-intensive industries of what Alvin Toffler has referred to as the post-industrial 'third wave'.³⁴ Japan has emerged as a 'major centre for the generation and diffusion of technology'.³⁵ The trend towards increasing value-added, high-quality, sophisticated product design and innovation in Japanese manufacturing means that, in the future, Japan will place a greater premium on those goods and services which contribute directly to twenty-first century technologies and associated life-style developments.

Although there will be a continuing demand for the low value-added energy raw materials and primary products which still constitute the bulk of Australia's exports to Japan, Australia will need to complement its commodity trade by increasing cooperation with Japan in areas such as biotechnology, the environment, space, telecommunications and leisure. The furore in Australia over the Multi-Function Polis (MFP) casts some doubt on Australia's ability and willingness to construct the qualitatively different partnership with Japan which will be essential to Australia's economic security in the next century.

³³ Opening Statement by the Minister for Foreign Affairs and Trade, Senator Gareth Evans, to the 16th Australia-Japan Ministerial Committee in Tokyo, 27 January 1989. *Australian Foreign Affairs Record*, (Vol.60, No.1), p.3.

³⁴ A. Toffler, *The Third Wave* (William Morrow and Company, New York, 1980).

³⁵ Drysdale et al., *The Australia-Japan Relationship*, p.58.

Moreover, Australia's 'track record' in anticipating the rate and extent of economic change in Japan is not reassuring. During an earlier period of economic restructuring in Japan, which was well underway in the mid-1970s, Australian official and business forecasts were optimistically predicting further rises, in both volume and percentage terms, of the Australian exports of the raw materials which had fuelled Japan's first- and second-phase industrial development.³⁶ These expectations were never realised as Japan's share of Australia's exports failed to reach the levels forecast for the 1980s and began to decline from the peaks attained in the boom years of the mid-1970s. By 1983, it was clear that 'the basic materials industries' were among the low-growth sectors of the Japanese economy.³⁷

Balancing the negative bilateral aspects of Japan's search for food and energy security, and Australia's potential vulnerability to structural changes in the Japanese economy, is the mutual dependence which has characterised the relationship for the past three decades. Some would argue, in fact, that Japan is more dependent on Australia economically than Australia is on Japan, in the sense that imports from Japan of motor vehicles and consumer durables are less vital and more easily substituted than the raw materials supplied by Australia.³⁸ Others contend that the relationship has now developed sufficient momentum to counterbalance any conscious or unconscious attempts by Japanese policy makers to significantly diversify away from Australian suppliers of food raw materials.

Certainly it would appear that, as long as Australia remains competitive, there will be limits to the diversification premium Japanese industry will be prepared to pay in pursuit of energy and food security. Moreover, Japan's options may be limited for political

³⁶ Meaney *et al.*, *The Japanese Connection*, p.26.

³⁷ Speech by Prime Minister Hawke to Australia-Japan, Japan-Australia Businessmen's Cooperation Committees, 26 October 1983. *Australian Foreign Affairs Record*, (Vol.54, No.10), p.650. Hawke also referred to the 20 per cent downward revision in the Japanese government's energy demand forecast for 1990, which carried 'major implications for [Australia's] energy resources trade'. *ibid.*, p.651.

³⁸ *Report of the Ad-Hoc Working Committee on Australia-Japan Relations*, p.42.

and economic reasons. Australia has been able to obtain a dominant share of the Japanese market in several important commodities not only because it is the most efficient producer, but also because its record as a reliable and politically stable supplier is increasingly acknowledged by Japanese business and political leaders. The Gulf crisis will have reinforced these attributes, and Japan may find alternative suppliers (such as Brazil, Canada and South Africa) attracted by potentially more lucrative markets in Europe.

Japan's Global Role: Trade

Aside from the bilateral dimension, Australia is also a beneficiary of Japan's newly acquired status as a major economic power. Japan is the principal engine of growth for the whole western Pacific, and as a major trading nation shares with Australia a commitment to the continuation of the rules-based multilateral trading regime, embodied in the General Agreement on Tariffs and Trade (GATT). Japan has also been a central player in furthering regional integration through organisations like the Pacific Economic Cooperation Conference (PECC), the Asia-Pacific Economic Cooperation (APEC) group, and through the mediums of direct investment, technology transfer and foreign aid.

The trade tensions which are now threatening Japan's markets in the US and Europe are likely to affect Australia in two ways. The Japanese economy, despite its impressive successes, is still heavily dependent on the continued growth of exports of motor vehicles, consumer appliances and computers.³⁹ If Japan's growth should falter, as a result of rising protectionism in Europe and the US, Australia will suffer to a greater extent than almost any other country because of its high level of dependence on Japanese trade, tourism and financial flows. In the longer term, Japan will inexorably move towards a closer association with the other dynamic economies of Northeast Asia. Tokyo has already begun to seriously consider the potential for greater trade and economic cooperation with its Northeast Asian neighbours. The Japanese model, variously described as the Japan Sea Basin Economic Zone or the North Pacific Economic

³⁹ Age, 19 June 1991.

Development Initiative,⁴⁰ would link Japan with the resource-rich Soviet Far East and with natural markets in China and the Korean peninsula. Australia could well find its dominant position as a major supplier of energy raw materials to Japan under threat, unless it can anticipate and respond to the changes arising from closer economic cooperation in the Northeast Asian sub-region.

Japan's Global Role: Finance

By 1990, Japan had overtaken the US as the world's largest aid donor and source of international bank credit and direct investment. Between 1986 and 1990, Japan's Official Development Assistance (ODA) to the developing world rose from US\$5.6 billion to US\$8.9 billion, representing 0.35 per cent of GNP. By comparison, in the same period, US ODA fell from US\$9.5 billion to US\$7.6 billion (0.15 per cent of GNP).⁴¹ Over 50 per cent of Japan's ODA is directed towards the Asia-Pacific region, and although only a small percentage of this goes to the Southwest Pacific, Japan is already an important aid donor in Australia's immediate neighbourhood.⁴²

As noted by Alan Rix, Japan has a complex set of motivations for aid-giving. In his study on Japan's aid program, Rix identifies national self-interest as the primary impetus:

... the balance within this national interest has shifted over time away from trade promotion, to resources development, technology trade and more recently to

⁴⁰ See articles by M. Walsh in the *Age*, 19 June 1991; and G. Klintworth in the *Australian*, 21 June 1991.

⁴¹ *Sydney Morning Herald*, 16 July 1990. The figures are for fiscal year 1989, ending 31 March 1990. Some query whether Japan is, in fact, the world's leading aid donor, as 55 per cent of bilateral aid extended by Tokyo is in the form of loans. However, Japan will probably increase the grant component of ODA in the future to levels more comparable with those of the US, Europe and Australia. *Far Eastern Economic Review*, 20 June 1991, p.63.

⁴² In 1975, Japan's Pacific aid was US\$5 million. In 1989, it was US\$93 million, half of which went to Papua New Guinea. *Sydney Morning Herald*, 16 July 1990.

political and security objectives and wider issues of international status.⁴³

Of equal importance has been pressure from the US and Europe for Japan to make a greater contribution to the international community and global security, by increasing its aid disbursements rather than by military spending.⁴⁴ Although this strategy has not won universal endorsement in Tokyo, the government seems to have accepted the desirability of increasing the level of ODA spending to the UN-recommended level of 0.7 per cent of GNP. At present GNP values, this would see Japanese ODA doubling to US\$20 billion.⁴⁵

The implications for Australia are considerable. The sheer size of Japanese aid greatly enhances Japan's ability to set agendas and to project its influence; particularly among the micro-states of the Pacific, where the impact of Japanese aid is magnified by the smallness and fragility of the Pacific island economies. Unlike Australian aid, Japanese aid is highly tied and is seen as a policy instrument, with the underlying philosophy emphasising donor and recipient 'cooperation'.⁴⁶ There have been a number of instances when Japan has used its aid leverage to influence policy decisions of recipient countries.⁴⁷ Nevertheless, Australia has generally welcomed and encouraged Japan's higher ODA contributions, because Japan's policies are seen as broadly consistent with Australia's interests in maintaining the Asia-Pacific region's pro-Western leanings, and fostering a wide range of formal and informal economic linkages which will benefit the whole region.

Dwarfing Japan's ODA disbursements, however, are the private flows of Japanese financial resources. In 1989, these flows

⁴³ R. Rix, *Japan's Aid Program: A New Global Agenda*, International Development Issues No.12 (Australian Government Publishing Service for AIDAB, Canberra, April 1990), p.5.

⁴⁴ *Far Eastern Economic Review*, 23 May 1991, pp.18-19.

⁴⁵ *ibid.*, 20 June 1991, p.63.

⁴⁶ *Sydney Morning Herald*, 16 July 1990.

⁴⁷ One of the more notable examples occurred in 1986, when Japan successfully persuaded Burma to implement a package of economic reforms by threatening to cut off aid. Japan provides over 70 per cent of Burma's aid. *ibid.*

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totalled US\$67.5 billion, and lending by Japanese commercial banks accounted for another US\$36 billion.⁴⁸ This made Japan the single most important source of global finance for the developed as well as the developing world, a statistic which underlines Japan's pivotal position in the international financial system. Should Japan's ability to recycle its export-based wealth be seriously eroded in the future,⁴⁹ the Asia-Pacific region is likely to be the big loser as the major recipient of Japanese official aid and private investment. This could have serious consequences for Australia, because of its own increasing dependence on Japan to fund its balance of payments deficit, and because a sudden reduction in private Japanese financial flows could destabilise international financial markets and have a deleterious effect on global trade and development.

How We Perceive Each Other

Relationships between nations, no less than those between individuals, are determined as much by attitudes and perceptions as they are by institutional and formal ties. More wars and conflicts have resulted from a mutual failure to understand the actions, values and psycho-cultural perceptions of foreign states and their elites, than from genuine threats to vital interests. In the case of Australia and Japan, the societal dissimilarities between the two countries were a major reason for the antipathy which characterised their relations in the first half of the twentieth century, exacerbated in Australia's case by its traditionally insular and xenophobic response to its Asian neighbours. Although fear of Japan has gradually diminished, as memories of the Second World War have faded, and Australia's political and economic integration into the Asia-Pacific region has accelerated, Japan still represents an alien and unfathomable culture for a great many Australians. This is despite the dramatic growth in cultural exchanges

⁴⁸ *Far Eastern Economic Review*, 20 June 1991, p.62.

⁴⁹ Japanese banks are already having difficulty meeting capital adequacy ratios. According to Eiichi Matsumoto, Vice-President of the Bank of Tokyo, sustained flows of Japanese capital are 'reasonably assured' only for a few prime borrowers, such as Asia's newly industrialising countries. *ibid.*, pp.62-63.

and tourism between the two countries, and the identification of a range of mutual interests.

Unless this lack of genuine intimacy and widespread mutual ignorance can be overcome, then Australia's relations with Japan will continue to exhibit a fragility which will have adverse bilateral consequences not only in a political and strategic sense, but also in the economic realm. As noted by a former Australian Chief Executive of the MFP's Joint Secretariat:

Increasingly, balance of payments receipts will come from services, whether consumed here or there, and this is often a function of intensity of contact. Experiences, enjoyment and knowledge cannot be sold the same way as the bulk commodities which have dominated our traditional trading relationship. The markets are created by contact: no contact, no understanding, no market.⁵⁰

In the most comprehensive study of its kind, carried out by three leading Australian academics, some two hundred Australian and Japanese political, business and bureaucratic leaders were surveyed in considerable detail about their views on the Australia-Japan relationship.⁵¹ The study found that the Australian leaders generally held a favourable view of Japan. There was a considerable degree of respect for Japan's economic achievements, and acknowledgement of the constructive role Tokyo played in regional and global affairs.⁵² The importance of the relationship with Japan was considered to be comparable to the importance of that with the United States, and well ahead of that with any other country. In the economic arena, Japan was ranked first among Australia's trading partners. The most negative image among those interviewed, many of whom had extensive dealings with Japan, concerned the inability to communicate and relate to the Japanese. Australians commonly referred to the 'gulf in culture' and the 'impossibility of knowing the dynamics and nuances of Japanese society'. There was also a feeling that some of this

⁵⁰ *Australian*, 12 November 1990.

⁵¹ N. Meaney *et al.*, *The Japanese Connection*.

⁵² *ibid.*, p.64.

was 'due to a calculated desire by the Japanese to hide themselves from the scrutiny of others and to shroud themselves in mystery'.⁵³

Japanese attitudes to Australia display similar patterns of ambivalence. Although the Japanese consider Australia one of its most reliable and friendly partners in the region, they are relatively uninformed about Australia.⁵⁴ In 1979, at the end of his tour as Ambassador to Japan, John Menadue was moved to observe that although the Japanese realised that Australia's abundant low-cost resources had 'helped lay the basis for Japan's economic miracle, they thought of us as dependent, and racist, if they thought of us at all'.⁵⁵ While there is now greater knowledge of Australia in Japan, the Japanese perception of Australia is still dominated by anachronistic and simplistic images, and Japanese leaders, for the most part, do not appreciate Australia's prime commitments to Southeast Asia and the Southwest Pacific.⁵⁶

The lack of serious media attention to Australian affairs in Japan is quite striking and has contributed to the low level of Japanese understanding and knowledge of Australia. When articles do appear, they tend to be impressionistic rather than analytical, and concentrated on trivial or sports-related items. In an address to the 17th Australia-Japan Relations Symposium, in May 1990, the Director of Japan's National Institute of Multi-Media Education remarked that :

rugby and the koala are the two main news items [about Australia] in the Japanese media in the past 30 years ... As far as the general public is concerned, they are not well informed about Australia. They do not know about the political system, economic conditions, cultural conditions.⁵⁷

⁵³ *ibid.*, p.95.

⁵⁴ *Age*, 1 June 1990.

⁵⁵ Former Australian Ambassador to China, Gary Woodard, paraphrasing Menadue's valedictory despatches. G. Woodard, 'China and Japan: Where does Australia Go from Here?', *Asian Pacific Review*, (No.5), Summer 1986-87, p.3.

⁵⁶ Meaney *et al.*, *The Japanese Connection*, p.106.

⁵⁷ *Age*, 1 June 1990.

In the defence area, the study showed that there was little apprehension about Japanese expansionism, or fear that Japan posed a direct threat to Australia's security in the foreseeable future.⁵⁸ However, the possibility that Japan might play a more active military role, or acquire a significantly larger defence force, aroused considerable anxiety, and there was overwhelming rejection of the notion that Japan should develop a nuclear weapons capability.⁵⁹ This response is particularly significant in the light of the Australian government's overtures to Japan aimed at closer defence cooperation, and Canberra's recent endorsement of an enhanced regional security role for Japan. It suggests that both governments would need to exercise considerable caution in proceeding along this path, as there is a strong residue of antipathy towards an expansion of Japan's military power, in contradistinction to its economic and diplomatic agenda, which is generally welcomed and regarded as constructive.⁶⁰

⁵⁸ Meaney *et al.*, *The Japanese Connection*, p.86.

⁵⁹ *ibid.*, pp.65-66. There was also an overwhelmingly negative response to the idea of a formal defence alliance with Japan, either bilaterally or in conjunction with the United States. *ibid.*, p.85.

⁶⁰ More than 75 per cent of the leaders surveyed believed that diplomatic bonds should be strengthened. *ibid.*, p.88.

CHAPTER 3

CHINA: A SPECIAL RELATIONSHIP?

China's Security Policy and Strategic Posture

There are clear conceptual parallels with Japan in China's holistic approach to national security. The Chinese believe that military strategy cannot be separated from the internal and external political forces which determine its context. In Gelber's words, 'it is the ebb and flow of world politics which, in the end, dictates the way in which connections or alliances are formed and in which force or the threat of force are used'.¹ This requires a continuous reassessment of the relative strengths and weaknesses of the most influential nations in the international system, the likelihood of armed conflict, and the 'balance between states as actors and non state forces and influences'.²

In the latter half of the 1980s, China assessed that the relative decline of both superpowers, and the reduced capacity and willingness of Moscow and Washington to pursue their quest for global pre-eminence, presented China with a unique opportunity to place economic development ahead of military preparedness in the more stable and peaceful environment which was anticipated. The assumptions underlying this optimistic forecast were shattered by the international fallout from the Tiananmen massacre, the tumultuous events in Eastern Europe, and the Gulf crisis. From the Chinese perspective, the emphatic victory of the Western alliance in its confrontation with Iraq seemed to herald a new order, transitional in nature, in which the US would once again be the dominant hegemon.³

¹ H. Gelber, 'China's Defence Posture, Implications for Australia' in D. Ball, *Strategy and Defence: Australian Essays* (George Allen and Unwin, Sydney, 1982), p.202.

² *ibid.*, p.203.

³ See, for example, the views of influential Chinese academic Hua Di in *Recent Developments in China's Domestic and Foreign Affairs: The Political and Strategic Implications for Northeast Asia*, Working Paper (Strategic and Defence Studies Centre, Australian National University, Canberra, forthcoming), Dr Hua is currently a Visiting

In response to this reassertion of strategic primacy by Washington, Beijing sought a new alignment of forces to balance and contest US power, choosing to reorientate its security policy away from 'playing global games with the United States and the Soviet Union, to developing intimate relations with its Northeast Asian neighbours, especially with Japan'.⁴

In purely military terms, the Gulf crisis also brought home to China the technological, intelligence and doctrinal gaps which separated China's military forces from those of the United States and other advanced Western nations, in spite of the progress made on defence modernisation in the 1980s. However, in regional terms, China's conventional and strategic forces are still a potent combination, and an effective vehicle for projecting China's influence well beyond its own shores in pursuit of its strategic interests. They include a 'long-term ambition to be a great power'; reunification with Taiwan; assertion of sovereignty over the Spratly Islands and the continental shelf of the South China Sea; and a desire to limit the political influence of Japan in Asia while preserving China's position as a central player in the global balance of power.⁵

China's ground forces, although technologically inferior to those of the United States, the Soviet Union, and in many respects Japan, are numerically still the largest in the world and represent an effective deterrent to any would-be invader. China's air force is stronger than any other in the region, although its capabilities are uneven and it has limited capacity to mount sustained operations distant from its home bases. Of the three services, China's navy is arguably the most potent, with a significant ability to project force

Scholar at the Center for International Security and Arms Control, Stanford University.

⁴ *ibid.*

⁵ G. Klintworth, *China's Modernisation: The Strategic Implications for the Asia-Pacific Region* (Australian Government Publishing Service, Canberra, 1989), p.55. See also Chong Wook Chung, 'Chinese Foreign Policy in East Asia: Trends and Implications' in W. Taylor, Young Koo Cha, J. Blodgett, M. Mazarr (eds), *The Future of South Korean-US Security Relations* (Westview Press, Colorado and Center for Strategic and International Studies, Washington, 1989), p.62.

outside its territorial waters. It is the largest 'small-ship navy' in the world,⁶ with a substantial submarine fleet and amphibious force.

The importance attached to China's navy was underlined by Navy Commander Zhang Lianzhang in 1988, when he proclaimed that China would not be satisfied with conducting limited coastal defence and that the navy would be strengthened so that 'it could intercept enemy naval forces at sea at great distances from China's coast'.⁷ Some senior Chinese naval officers have also argued for the acquisition of aircraft carriers, but it is unlikely that the navy will be able to purchase carriers because of the prohibitive costs involved.⁸ Nevertheless, China's navy is gradually being transformed from an exclusively coastal force, 'to a fleet with blue water pretensions', or at least one which can police 'the Chinese lake' in the South China Sea.⁹ China's submarines, although noisy and vulnerable to modern anti-submarine warfare techniques, are also capable of carrying out tasks at considerable distance from China's shores, and could reach into areas of the Indian Ocean proximate to Australia's northern and northwestern coastlines.¹⁰

China is the only Asian state which currently possesses nuclear weapons, and is the world's third most powerful nuclear weapons state, behind only the United States and the Soviet Union.¹¹ China's nuclear or strategic rocket forces contain the full panoply of strategic and tactical nuclear weapons, which can be delivered by a variety of systems ranging from 152 mm and 203 mm guns to a true intercontinental ballistic missile (ICBM), the CSS-4, which has a range

6 Klintworth, *China's Modernisation*, p.44.

7 Cited in *ibid.*, p.45.

8 Discussions with Dr Hua Di in Canberra, 6 June 1991.

9 Cited in Klintworth, *China's Modernisation*, p.47.

10 China's Whiskey, Golf and Xia Class submarines all have the theoretical range to operate in waters close to the northern Australian coastline.

11 China is considered, by most accounts, to have surpassed the United Kingdom, and now rivals France as the third-ranked nuclear power. See Chong Pin Lin, *China's Nuclear Weapons Strategy: Tradition Within Evolution* (Lexington Books, Massachusetts, 1988), p.37.

of 7,500 miles.¹² Since 1982, China has developed a strategic nuclear triad consisting of bombers, land-based systems and submarine-launched systems, as well as acquiring space-related technologies, such as 'multiple satellite launch and geosynchronous satellite orbit capabilities', which will radically improve China's nuclear targeting system.¹³

China is now estimated to have between 200 and 300 nuclear warheads,¹⁴ almost half of which are carried by the ageing bomber force.¹⁵ The only systems capable of striking Australia are the liquid fuelled CSS-4 ICBM, which probably now has a MIRV (multiple independently targetable reentry vehicle) capability,¹⁶ and the sea-launched ballistic missiles (SLBMs) carried by the Chinese Navy's Xia Class submarines, each of which contains twelve missile tubes.¹⁷ The Xias are also armed with a limited number of submarine-launched cruise missiles (SLCMs).

Modern Chinese strategic doctrine, drawing on the tenets of classical Chinese military teaching, recognises the political, psychological, diplomatic, and economic advantages which result from the mere possession of nuclear weapons. This extra military dimension has also found expression in the distinctively Chinese conceptual approach to deterrence, which holds that nuclear weapons are but one component of a security strategy which integrates a range

¹² R. Gordon, 'The Politics of Implementing China's Nuclear Doctrine, Part II: 1969-Present', *Journal of Northeast Asian Studies*, (Vol.VIII, No.2), Summer 1989, pp.21-22.

¹³ Klintworth, *China's Modernisation*, p.48.

¹⁴ Excluding tactical nuclear warheads. Gordon, 'The Politics of Implementing China's Nuclear Doctrine', p.20.

¹⁵ Chong Pin Lin, *China's Nuclear Weapons Strategy*, p.47.

¹⁶ China already has MIRV-capable medium-range ballistic missile systems. See J. Mohan Malik, 'China and the Intermediate Range Nuclear Forces Talk', *Arms Control*, (Vol.10, No.3), December 1989, p.265.

¹⁷ Chong Pin Lin, *China's Nuclear Weapons Strategy*, p.58, and Gordon, 'The Politics of Implementing China's Nuclear Doctrine', p.21. The CSS-NX-3 SLBM has a range of 650 to 1300 miles.

of military and non-military factors in defence of national sovereignty and national interests.¹⁸

China's nuclear declaratory policy has long emphasised no first use of nuclear weapons and proscribed their use, or the threat of their deployment, against non-nuclear states or in nuclear-free zones.¹⁹ The ultimate purpose of China's nuclear weapons arsenal, according to Chinese strategic doctrine, is total nuclear disarmament by breaking the superpower monopoly. This laudatory aim obscures the true motives for the development of China's nuclear program, which are clearly rooted in the dictates of *realpolitik* and include a complex and interrelated mix 'of national esteem, national autonomy, security, global influence, regional pre-eminence, domestic political cohesion and domestic economic development'.²⁰

China's Threat Perceptions

In the mid-1970s, the United States was supplanted by the Soviet Union as the chief threat to China's security and to world peace. China believed that global conflict was most likely to arise from the strategic competition between the Soviet Union and the United States, a competition which China adroitly exploited to considerable advantage, following the maxim that China's relations with the two superpowers should be better than either has with the other.²¹ Fear of Soviet attack also drove China to seek a strategic alliance with the United States, but by 1985 the Soviet threat had visibly diminished and Chinese strategic assessments were asserting that China was 'unlikely to face any serious threat in the medium term and that major world conflict was not a danger in the short term, despite several persistent hot spots'.²²

¹⁸ Chong Pin Lin, *China's Nuclear Weapons Strategy*, pp.69 and 127.

¹⁹ R.Fieldhouse, 'Chinese Nuclear Weapons: An Overview', *World Armaments and Disarmament, SIPRI Yearbook 1986* (Oxford University Press, Oxford, 1986), pp.99-100.

²⁰ Chong Pin Lin, *China's Nuclear Weapons Strategy*, p.105.

²¹ Klintworth, *China's Modernisation*, p.31.

²² I. Wilson, *Power, The Gun and Foreign Policy in China Since the Tienanmen Incident*, Working Paper No.232 (Strategic and Defence

By 1989, China was sufficiently confident about its long-term security environment to declare that it faced 'no immediate threat for twenty years', and that the world was entering a new period of relaxation and dialogue in which inter-state competition would increasingly be channelled away from military conflict towards economic and technological growth.²³ Barely a year later, China's world view was markedly less optimistic, in the chill wind of economic sanctions and general disapprobation which blew from the West in the aftermath of the Tiananmen massacre. The Gulf crisis also served to remind Beijing of the omnipresent danger which regional conflicts could pose to global security, and that China's position in the hierarchy of nations had weakened not only as a consequence of Tiananmen, but also because the new conjunction of forces had diminished China's ability to play the US or the Soviet card.²⁴

The Strategic Significance of Korea for China

China has always viewed the Korean peninsula as vital to its security interests for much the same reasons as Japan does. While Japan has focused on the threat posed by invading armies from the Chinese mainland moving down the Korean peninsula, China has historically seen the peninsula as one of the principal invasion routes to the Chinese heartland. The strategic significance of the peninsula has been reinforced in this century by three events: Japan's colonisation of Korea, its later invasion of Manchuria, and the Korean War, which brought the reality of US military power to the very borders of China itself.

Chinese support for the DPRK has been more a consequence of global *realpolitik* than ideological affinity with the prickly nationalism of Kim Il Sung. As relations with the US and the ROK

Studies Centre, Australian National University, Canberra, June 1991), p.6. Wilson points out that this assessment was not unanimously endorsed by the PLA, which was generally less sanguine about China's threat environment.

²³ Klintworth, *China's Modernisation*, p.31.

²⁴ Wilson, *Power, The Gun and Foreign Policy in China Since the Tiananmen Incident*, p.33.

have improved, the glue which has bound China to the DPRK has begun to fracture and dissolve. This process has been reinforced by the rapid development of ties between the Soviet Union and the ROK, which has increased the onus on Beijing to make corresponding adjustments in its relationships with the two Koreas. China's own pronounced shift away from the rigidities of central control,²⁵ and its closer association with the capitalist economies of the Pacific Rim, has also encouraged the Chinese leadership to look more sympathetically at the ROK, as an example of what might be accomplished economically and as a potential partner in China's modernisation program.

Beijing's new enthusiasm for enhanced relations with the ROK is reflected in the boom in trade which has taken place since the early 1980s, and the regular contact which now takes place between officials and businessmen. This rapprochement seems to be partly motivated by a desire to bring about a historical strategic, political and economic realignment of forces in Northeast Asia at the same time as ridding itself of the burden of the DPRK,²⁶ and denying Pyongyang the effective veto power it has exercised over China-ROK relations for most of the Cold War period. In Chinese eyes, the necessary preconditions for breaking down the legacy of the Cold War on the Korean Peninsula are cross-recognition of the two sovereign Korean states; the suspension of the annual joint US-ROK Team Spirit military exercises, and the removal of US nuclear weapons from the ROK,²⁷ all of which look far more likely in the strategic environment of the 1990s.

China's immediate strategic concern in relation to the two Koreas is to ensure that the uneasy peace which has lasted for nearly forty years is not shattered by a renewal of hostilities, which could

25 J. Pollack, 'US-Korea Relations: The China Factor', *Journal of Northeast Asian Studies*, (Vol.IV, No.3), Fall 1985, p.15.

26 According to Hua Di, as a result of a secret policy report which he presented to Deng Xiaoping in late 1988, Deng issued a directive instructing the Government to develop bilateral trade with the ROK - not only for economic reasons, but as means of facilitating relations with Taiwan and Japan, and laying the basis for a Northeast Asian regional trading bloc. See Hua Di, *Recent Developments in China's Domestic and Foreign Affairs*.

27 *ibid.*

once again involve China directly - an objective shared by the three other major powers with direct security interests in the peninsula: the US, Japan and the Soviet Union. China sees the US military presence in the ROK as a force for stability and an important moderating influence on the ROK security establishment. This particularly applies to the possible acquisition of nuclear weapons by the ROK. There is evidence of an informal agreement (or at least understanding) between China and the US, to monitor and where possible restrain the nuclear weapons ambitions of their respective Korean partners.²⁸

The Strategic Significance of Japan for China

China's relations with Japan were transformed in the 1970s by the US-China rapprochement, and the Sino-Japanese Treaty of 1978, a seminal event in Northeast Asian affairs,²⁹ which brought to an end a long period of antipathy between China and Japan dating back to the Japanese occupation of Manchuria in 1931.³⁰ The new spirit of Sino-Japanese cooperation and partnership was attributable to a number of factors, the most important of which was the developing consensus that the Soviet Union represented the major threat to regional and global stability, and that both nations stood to gain considerably from the trade and technological complementarities of their expanding economies.

The shift in strategic alignments during this period was particularly dramatic. In 1969, the signing of the Nixon-Sato communique, resulting in the return of Okinawa to Japan, provoked a violent anti-Japanese outburst from Beijing, which feared that Japan

²⁸ Based on discussions with US State Department officials.

²⁹ H. Ellison, 'The Pacific Quadrille Since 1983' in H. Ellison (ed.), *Japan and the Pacific Quadrille: The Major Powers in East Asia* (Westview Press, Boulder, Colorado, 1987), p.233.

³⁰ Japan had been nibbling away at the decaying Chinese empire since 1896, when it took control of Taiwan and Korea. After Manchuria, Japan seized Jehol Province in 1933, Inner Mongolia in 1935, and then invaded the Chinese heartland in 1937. D.Bergamini, *Japan's Imperial Conspiracy: How Emperor Hirohito Led Japan into War against the West* (Heinemann, London, 1971), p.5.

would begin to remilitarise 'with the blessing of the US'.³¹ As late as 1971, China was still vigorously attacking 'the renaissance of Japanese militarism'.³² However less than a decade later, China's world-view had converged to such an extent with that of Japan, that both were lambasted by Moscow for their putative membership of a US-led, anti-Soviet coalition.

The warming of Sino-Japanese relations could not completely disguise the underlying competition and tension, never far from the surface in relations between these two Asian giants. Indeed, many commentators have remarked upon the cyclical pattern of hostility and cooperation which is a feature of Sino-Japanese relations,³³ and which is an inevitable by-product of the tectonic forces which build up when two states, as populous, enterprising and accustomed to leadership roles as Japan and China, exist together in such close proximity. The sense of distinct identity and cultural superiority, felt by each of the Chinese and Japanese, does not promote natural partnership.

There is evidence that, in China's redefined threat demonology, Japan has once again become of specific concern to Beijing, particularly to the PLA, because of the steadily improving capabilities of the JSDF,³⁴ Japan's rising defence expenditure, and the sophistication and range of dual-purpose technologies produced by Japanese industry. For example, a Chinese analysis of Japan's 1990 defence budget concluded that Japan was engaged in an arms build-up using the 'Soviet threat' as a pretext, and that it was pursuing 'big power diplomacy' and escalating 'military expansion'.³⁵ Some

31 G. Choudhury, *China in World Affairs: The Foreign Policy of the Peoples Republic of China Since 1970* (Westview Press, Boulder, Colorado, 1982), p.211.

32 Cited in J. Chapman, R. Drifte and I. Gow, *Japan's Quest for Comprehensive Security: Defence, Diplomacy, Dependence* (Frances Pinter Publishers, London, 1983), p.112.

33 See, for example, Klintworth, *China's Modernisation*, p.93.

34 H. Gelber, *China's New Economic and Strategic Uncertainties; and the Security Prospects*, Working Paper No. 190 (Strategic and Defence Studies Centre, Australian National University, Canberra, September 1989), p.5.

35 *Jiefangjun Bao*, 28 January 1991, cited in Wilson, *Power, The Gun and Foreign Policy in China Since the Tiananmen Incident*, p.28.

Chinese strategic analysts have also warned that there will be a period of escalating competition between Asian states in the post-Cold War era, in which local disputes over sovereignty and resources may directly affect China's security interests.³⁶ Although not directed specifically at Japan, Beijing does have longstanding territorial disputes with Tokyo, and will continue to oppose any suggestions that the JSDF should be deployed outside Japan, even in UN-sanctioned peace-keeping operations.

Of more general concern to China is the extent to which Japan's undisputed economic and financial pre-eminence will be translated into political and strategic influence, and the challenge this might pose for China's own aspirations for regional leadership. In this context, it is interesting to note that China no longer expresses tacit support for the US-Japan Security Treaty, or for the return of the disputed Northern Territories to Japan.³⁷ In the aftermath of the Persian Gulf crisis, some Chinese officials believe that, under pressure from the US and its European allies, Japan may seek to define sea-lane security so broadly as to conflict with the maritime interests of China and other regional states.³⁸

On the other hand, China has already demonstrated that it is prepared to weigh its security concerns against the economic, financial and political benefits which will accrue from closer relations with Japan. In a symbolic gesture of considerable import, Beijing has invited Japan's Emperor Akihito to visit China. This will be the first time a Japanese emperor has set foot in China for 2,000 years.³⁹ In an equally unprecedented move, China will allow Japanese petroleum exploration and exploitation of the Tarim basin in remote Xinjiang Province, the first time that a foreign oil company has been allowed access to Western China.⁴⁰

³⁶ See Zhang Jingyi, 'After the Superpowers', *Far Eastern Economic Review*, 13 April 1989, p.24, cited in J. Mohan Malik, 'Chinese Debate on Military Strategy: Trends and Portents', *Journal of Northeast Asian Studies*, (Vol.IX, No.2), Summer 1990, p.14.

³⁷ Klintworth, *China's Modernisation*, p.93-94.

³⁸ Interview with Chinese officials, April 1991.

³⁹ Hua Di, *Recent Developments in China's Domestic and Foreign Affairs*; and *Age*, 12 August 1991.

⁴⁰ *ibid.*, p.26.

China's Regional and Global Significance for Australia: From Foe to Friend

The strategic importance of China stems from its central position in the global balance of power and its military and political capacity to influence developments in the Asia-Pacific area. For much of this century, Australia has viewed Chinese military power in negative and hostile terms. At the nadir of the relationship in the mid-1960s, Australia regarded China as the principal threat to Australia's security and as an expansionist, militantly radical state embarked on a strategy aimed at undermining Western and, by association, Australian interests throughout Asia and the Pacific. A gradual thaw in Sino-Australian relations in the late 1960s and the early 1970s culminated in the Whitlam Government establishing diplomatic relations with China in 1972. Whitlam believed, as did many others, that it served no useful purpose to perpetuate China's isolation, and that Australia's security would be enhanced by 'associating China in a wider detente'.⁴¹

While Australia's reasons for seeking a more constructive relationship with China were fundamentally a recognition of Beijing's natural leadership role in the region and its vast potential as a market for Australian exports of agricultural products and raw materials, China's motives were less discernible and more diverse. There is little doubt that Gough Whitlam's decision to recognise Beijing as one of the first acts of his Government, placing Australia at the forefront of the 'new wave of countries to recognise China',⁴² was a political and symbolic gesture which gained Australia considerable kudos and good will in China. China saw Australia as a useful asset in its bid to re-establish neglected ties with non-communist Southeast Asian states and with the island nations of the South Pacific, as well as a further

⁴¹ S. Fung and C. Mackerras, *From Fear to Friendship: Australia's Policies Towards the People's Republic of China, 1966-82* (University of Queensland Press, St Lucia, 1985), p.190.

⁴² G. Woodard, 'Australia-China: The Broadening Base of Relations' in H. Dunn and E. Fung (eds), *Sino-Australian Relations: The Record 1972-85* (Centre for the Study of Australian-Asian Relations, Griffith University, Nathan, 1985), p.30.

channel of communication with its former protagonists; in particular, with the United States and the Republic of Korea.

Throughout the 1970s, both countries began to see mutual advantage in strengthening their embryonic relationship, reflecting their growing congruence of views on a range of strategic and international political issues. Chief among these was concern about the activities of the Soviet Union, and the 'dangerous illusions' stemming from detente, a subject which dominated the discussions between Malcolm Fraser and Hua Guofeng during the Australian Prime Minister's visit to China in 1976.⁴³

Australia's condemnation of Vietnam's invasion of Cambodia in 1979,⁴⁴ and its reaction to the subsequent conflict between China and Vietnam, seemed to place Australia firmly in the Chinese camp, an alignment which was confirmed by Fraser's attempt to enlist China in an informal four-power alliance in 1980.⁴⁵ By the early 1980s, Australia's new political relationship with China had been firmly cemented, and was considered sufficiently important by the Chinese leadership for Premier Zhao Ziyang to visit Australia in April 1983, the first-ever visit to Australia by a Chinese head of government.⁴⁶ Prime Minister Hawke's speech at the welcoming luncheon for Zhao underlined the extent to which cooperation with China had replaced the implacable hostility of earlier Australian governments. Hawke could rightfully claim:

friendship with China has become a significant element in the foreign policies of all Australia's major political parties and enjoys widespread support in the Australian community.⁴⁷

The new friendship with China also extended to the defence realm. In April 1980, the Australian government decided that the time had come to open a strategic dialogue with China and, in the following

⁴³ Fung and Mackerras, *From Fear to Friendship*, p.202.

⁴⁴ *Australian Foreign Affairs Record*, (Vol.50, No.1), January 1979, p.42.

⁴⁵ Fung and Mackerras, *From Fear to Friendship*, p.232.

⁴⁶ Zhao's visit followed visits by Whitlam in 1973 and Fraser in 1976 and 1982. *Australian Foreign Affairs Record*, (Vol.54, No.4), April 1983, p.133.

⁴⁷ *ibid.*, p.135.

year, the Australian destroyer escort HMAS *Swan* visited Shanghai and was greeted by a destroyer from the East China Fleet.⁴⁸ Defence Attaches were exchanged in 1982, and in 1985 Australia's Chief of the Defence Force, General Sir Phillip Bennett, made the first-ever official visit to China by an officer of his seniority.⁴⁹ These fledgling bilateral defence links symbolised the extent to which Australia's strategic appreciation of China had evolved in the years following the establishment of diplomatic relations.

China's transition from foe to friend had actually begun much earlier, under the Gorton and later McMahon governments. By 1971, the Defence Department's Strategic Basis Paper was discounting China as a major threat to Australia's security.⁵⁰ In the 1976 Strategic Basis Paper, China was assessed as having 'incipient global status' by virtue of its developing nuclear weapons capability, which gave it the theoretical ability to launch nuclear strikes against northwestern Australia.⁵¹ The paper went on to note, however, that:

Military attack on Australia is considered most unlikely to become a Chinese objective for the foreseeable future. At the same time, China is not a source of military support to Australia. Its military posture is one of national defence as it neither threatens nor supports other powers of direct defence concern to Australia.⁵²

The authors of the 1976 paper acknowledged that China had legitimate interests in acquiring influence in the region, commensurate with its global status, and that in time it could establish a 'primary status' in Asia and the Pacific. The paper asserted that it was in Australia's interests to limit China's influence, although it did not spell

⁴⁸ Fung and Mackerras, *From Fear to Friendship*, p.246.

⁴⁹ *Australian Foreign Affairs Record*, (Vol.56, No.9), September 1985, p.916.

⁵⁰ Submission by the Department of Defence to the Joint Parliamentary Committee on Foreign Affairs and Defence, 17 February, 1987, p.243.

⁵¹ B. Toohey and M. Wilkinson, *The Book of Leaks* (Angus and Robertson, Sydney, 1987), p.229.

⁵² *ibid.*

out clearly what these limits should be.⁵³ In regard to Taiwan, it was thought that China might at some stage seek to assert its claims by military force, and that Taiwan might develop a protective nuclear weapons program. Both these prospects were regarded with some concern by Australia's defence planners.⁵⁴ In the early 1980s, Australian strategic assessments took a more positive view of China's contribution to the global strategic balance, highlighting China's role as a counter-weight to the Soviet Union.⁵⁵ The sense of strategic partnership felt by Australia towards China in this period, based on mutual opposition to perceived Soviet expansionism, was reinforced by the emerging Pacific concert, linking China with the United States and Japan.⁵⁶

China's growing influence and status in global and regional affairs was the reason given by Prime Minister Hawke, in 1986, for engaging China in a regular dialogue on a number of international issues of importance to Australia, a dialogue which would have been inconceivable a bare fifteen years earlier. During Hawke's visit to China in 1986, discussions ranged over disarmament and arms control, the South Pacific, the policies of the Soviet Union, ANZUS, Indochina (Cambodia in particular), the Korean peninsula, Taiwan and the transition in Hong Kong.⁵⁷ Hawke's 1986 visit represented the highpoint in Australia's emerging relationship with China. The 'arid distrust' of the 1950s and the 1960s⁵⁸ had given way to a political relationship which both countries viewed as constructive and productive. China's new policy directions coincided with a more assertive, pragmatic and independent Australian foreign policy, which recognised the primacy of the Asia-Pacific region for Australian interests and China's central position in the regional order.

Nowhere was this convergence of interests more evident than in relation to the major powers. Canberra and Beijing saw the Soviet Union as a destabilising influence in the North Pacific and regarded a

⁵³ *ibid.*, pp.229-230.

⁵⁴ *ibid.*, p.230.

⁵⁵ The 1983 Strategic Basis Paper. *ibid.*, p.252.

⁵⁶ Gelber, 'China's Defence Posture, Implications for Australia', p.228.

⁵⁷ *Australian Foreign Affairs Record*, (Vol.57, No.5), May 1986, p.443.

⁵⁸ Woodard, 'Australia-China', p.30.

United States military presence in Northeast Asia as contributing to the security of the region. Both also enjoyed good relations with Japan, the key regional member of the United States alliance.⁵⁹ There were, of course, differences of outlook on a number of international issues, most notably, the Korean peninsula. China supported the DPRK and Australia, notwithstanding its brief flirtation with Pyongyang in 1975,⁶⁰ had been aligned with the ROK since the end of the Korean War. Australia also opposed China's nuclear testing program, although Canberra's criticism was more muted in the Fraser and Hawke years than under Whitlam or his Liberal Country Party (LCP) predecessors.⁶¹ However, these differences were seldom permitted by Beijing or Canberra to detract from the relationship.

The Significance of Tiananmen

The aura of amiability and even camaraderie, which infused the bilateral relationship for most of the 1980s, was shattered by the tragic and traumatic events which took place in Beijing's Tiananmen Square. The Tiananmen massacre had a devastating psychological impact on Western perceptions of China, destroying much of the good will which had been built up since China's opening to the West almost two decades earlier. The mass student demonstrations in Beijing, and

⁵⁹ C. Mackerras, 'Australia-China: Political Relations Under Hawke' in Dunn and Fung, *Sino-Australian Relations*, p.48.

⁶⁰ Australia established diplomatic relations with the DPRK in 1975, but relations were 'interrupted' after less than a year. A. Selth, *Australia and the Republic of Korea: Still Allies or Just Good Friends?*, Working Paper No.84 (Strategic and Defence Studies Centre, Australian National University, Canberra, September 1984), p.7.

⁶¹ Fraser made only a 'ritual complaint' to the Chinese on this issue in 1976. Fung and Mackerras, *From Fear to Friendship*, p.203. In 1986, Hawke welcomed China's decision to 'renounce atmospheric testing, its willingness to participate in negotiations on a comprehensive test ban in the Committee of Disarmament, and its support for the protocols of the treaty establishing the South Pacific nuclear free zone'. *Australian Foreign Affairs Record*, (Vol.55, No.5), May 1984, p.443.

their bloody suppression by the Chinese authorities in June 1989,⁶² provoked an angry, emotional response in Canberra and a 'fundamental reappraisal' of Australia's interests in China.⁶³ While the Western world in general, roundly condemned the Chinese government for its actions at Tiananmen, the strength and vehemence of Australia's rejection of China's actions exceeded that of most other countries and surprised many observers, given the closeness of ties between Australia and China and the considerable personal prestige invested by Prime Minister Hawke in the relationship.⁶⁴

However it was the very perception of closeness, and the sense of a special relationship with China 'involving a partnership in the future of the Asia-Pacific region', which more than anything else accounted for the unusually strong response from Canberra.⁶⁵ In the apt analogy of Russell Trood, 'like a jilted lover, given the passion and commitment previously demonstrated by Hawke and others in the Government' the Australians felt that China had betrayed the trust and optimism engendered by the reforms of the previous decade in which Australia had as great an interest as any other country.⁶⁶ A more hard-headed view emerged in Canberra during the following weeks,

⁶² The reasons for the widespread opposition to the government, leading to the massacre of students in Tiananmen Square are summarised by Colin Mackerras in his article entitled, 'The Political Situation in China in 1989', *Australian-Asian Papers*, No.51 (Centre for the Study of Australian-Asian Relations, Griffith University, October 1989), pp.32-34.

⁶³ Speech by Penny Wensley, Assistant Secretary East Asia Branch, Department of Foreign Affairs and Trade. *Australian Foreign Affairs Record*, (Vol.60, No.8), August 1989, p.415.

⁶⁴ See for example, Hawke's motion in the House of Representatives on 15 June 1989, in which he expressed 'outrage at the massive and indiscriminate slaughter of unarmed Chinese pro-democracy demonstrators'. *Australian Foreign Affairs Record*, (Vol.60, No.6), June 1989, p.266.

⁶⁵ R. Trood, 'From Cooperation to Conflict: Australia and China in 1989', *Australian-Asian Papers*, No.51 (Centre for the Study of Australian-Asian Relations Griffith University, October 1989), p.67.

⁶⁶ *ibid.*

recognising the limits of Australia's 'capacity to influence events in China through unilateral action', and asserting that as 'many lines of communication [should] be kept open with as many different segments of Chinese society as possible'.⁶⁷ A Cabinet reappraisal, based on a detailed submission from the Department of Foreign Affairs and Trade, also concluded that Australia's 'substantial long term strategic and commercial interests in China [should] be preserved'.⁶⁸

Perhaps the most significant, long-term effect of the Tiananmen massacre and the subsequent purge of pro-democracy supporters was the attitudinal change engendered in Australia towards the relationship with China. Prior to the events of July 1989, a case can be made that Australia, along with many other Western nations, had been seduced by the promise and mystery of China. The four modernisations, ushered in with much fanfare by Beijing in 1978, seemed to foreshadow the dawning of a new age, in which a judicious mix of political liberalisation, economic reform and international cooperation would provide the basis for a major transformation of Chinese society, and concomitant trade opportunities for those sufficiently far-sighted and committed to invest in China's future. The pragmatic Chinese leadership cultivated and exploited these optimistic notions to good effect, but by early 1989 Western and Australian disillusionment about the prospects for substantial economic and political reform in China was already beginning to manifest itself. The Tiananmen massacre graphically, and brutally, brought home - to even the most enthusiastic supporters of the new relationship with China - the limits of the reform process in China.

Reassessing Australia's Interests

In broader terms, China's stature and importance were significantly diminished by its internal upheavals and by the even

⁶⁷ Statement by Senator Gareth Evans, Minister for Foreign Affairs and Trade, 13 July 1989. *Australian Foreign Affairs Record*, (Vol.60, No.7), July 1989, p.347.

⁶⁸ *Australian Foreign Affairs Record*, (Vol.60, No.8), August 1989, p.415.

more seminal events in Eastern Europe and the Soviet Union, which together had the effect of lessening the strategic utility of the China card, and shattering the image of 'cuddly communism' which had captured the attention of the West in the 1980s.⁶⁹ While Beijing has succeeded in 'normalising' its relations with Australia and other Western nations since the Tiananmen massacre, the atmospherics of the Australia-China bilateral relationship are unlikely to return to the halcyon days of earlier times. Indeed, there are suggestions that the Chinese leadership was so annoyed by the sanctions applied by Australia and other Western nations, notably the US and France, that retaliatory action was considered. However, it was not pursued because Australia, the US and France 'were of such importance to the national economy that reactions against these states' would have proven counterproductive.⁷⁰

For Australia, the shattering of illusions about the reform process in China is likely to lead to a more calculating and balanced appraisal of Australia's security interests in China. One obvious concern is that if China's modernisation program falters, leading to serious political unrest, a more inward-looking China may prove more difficult to deal with on a number of important, unresolved regional conundrums including Taiwan, Hong Kong, Indochina, the Korean peninsula, and Tibet, as well as multilateral issues such as arms control and nuclear testing. On the other hand, a more confident and assertive China, with its growing nuclear and conventional capability, may pose an equally vexatious problem if it attempts to reassert its traditional suzerainty over North and Southeast Asia.

China's nuclear weapons program is an essential component of China's military strength, and it is highly unlikely that China would foreclose that option, or entertain notions of substantial nuclear arms reductions unless, and until, the other nuclear powers drastically reduced their arsenals.⁷¹ It is in Australia's security interests that China maintains its *modus vivendi* with both the Soviet Union and the United States, because military conflict with either of these nations

⁶⁹ *Australian Financial Review*, 28 March 1990.

⁷⁰ Wilson, *Power, the Gun and Foreign Policy in China Since the Tiananmen Incident*, p.22.

⁷¹ Malik, 'China and the Intermediate Range Nuclear Forces Talk', p.265.

would risk nuclear escalation which would have incalculable consequences for Australia. In this respect, the two most dangerous theatres of potential conflict are the Sino-Soviet border and the Korean peninsula, because they are the two most likely areas of confrontation which might lead to a nuclear exchange.

From Australia's perspective, the chief significance of China's nuclear weapons is not its capacity to directly threaten Australia. China has never engaged in 'nuclear blackmail',⁷² and it is difficult to perceive the circumstances in which Beijing would initiate a nuclear strike against a distant, friendly, middle-level power like Australia.⁷³ However, China does derive implicit coercive power from the possession of nuclear weapons. Taken in conjunction with its conventional military strength, particularly its rapidly expanding navy, China has a growing capacity to project power into the region which it may be more willing to employ in pursuit of its perceived national interests in the more fluid and less predictable security environment of the 1990s.

One particular area of concern is the South China Sea, which is a waterway of great strategic importance for Australia, because it is a major shipping route along which a substantial proportion of Australia's trade moves. It is of no less consequence for the major powers and regional states, carrying a growing volume of trade, and providing access to the Middle East and Indian Ocean for the US and Soviet Pacific fleets. Underlying the South China Sea is a sedimentary basin which stretches from Eastern Malaysia to Thailand, rich in marine resources and believed to contain extensive oil and natural gas reserves. The key to control of these resources, and strategic domination of the South China Sea, is two isolated and unprepossessing coral island groups known as the Paracels and Spratlys.

⁷² J. Pollack, 'China as a Military Power' in Onkar Marwah and J. Pollack (eds), *Military Power and Policy in Asian States: China, India, Japan* (Westview Press, Boulder, Colorado, 1980), p.72.

⁷³ There is little doubt that the main military purpose of China's strategic rocket forces is to deter an attack by the Soviet Union, as virtually all rockets are targeted against the Soviet Union. Gordon, 'The Politics of Implementing China's Nuclear Doctrine', p.22.

China is in dispute with Vietnam over the Paracels, having seized them in a military operation in 1974, and subsequently clashing with Vietnamese forces in 1983. China also has claims to the Spratlys, and sea-bed and ocean resources in the western Pacific, which have also brought it into conflict with Vietnam and other Southeast Asian countries.⁷⁴ China has already constructed air bases in the Spratlys and Paracels, extending its air coverage of the region. Its navy now routinely operates out to a distance of 1,000 nautical miles into the western Pacific, and maintains a strong and visible presence in the South China Sea, including regular exercises supported by air and submarine deployments.⁷⁵ China also conducts distant naval deployments, which has taken major surface elements to the South Pacific.⁷⁶

The combined effect of these actions has been to heighten regional tensions and to trigger a reciprocal build-up of bases and maritime forces by other claimant states, notably the Philippines, Taiwan and Malaysia, as well as Vietnam.⁷⁷ Further incremental advances by China into the Spratlys may elicit a stiffer response from ASEAN countries, such as restrictions on trade⁷⁸ and even military retaliation. None of this would be in Australia's interests. The dispute over the Spratlys highlights the need for China to be drawn into the incipient dialogue on confidence- and security-building regimes, which offers the best prospect of peacefully resolving such issues in the uncertain 1990s.

⁷⁴ In a 1984 clash with Vietnam, China assembled a 2,000-man amphibious group in the Spratlys, supported by significant air and sea components. Ngok Lee, *China's Defence Modernisation And Military Leadership* (Australian National University Press, Sydney, 1989), p.180.

⁷⁵ Klintworth, *China's Modernisation*, p.49.

⁷⁶ These are often related to ICBM tests. As early as 1980, China despatched a naval flotilla of 18 ships to an area 750 nautical miles NNW of Fiji, in order to observe and recover the data from an ICBM test launch. *Australian Foreign Affairs Record*, (Vol.51, No.5), May 1980, p.135.

⁷⁷ *Age*, 1 January 1991.

⁷⁸ See the article by C.Macgregor, 'Beijing's Policy in the South China Sea', in the *Sunday Times*, 31 March 1991.

There is little doubt that China seeks an expanded politico-strategic role for itself in the Asia-Pacific region, and that it will continue to devote substantial resources to modernising its nuclear and conventional military forces as a primary instrument for projecting power into the region. The prospect of China reasserting its historical influence, after more than a century of relative weakness, should not in itself be of concern to Australia, provided that Beijing conducts itself within broadly acceptable norms of international behaviour, and does not attempt to use force injudiciously, or in a manner which transgresses the notion of legitimate self-defence. The most effective means of achieving this goal is to ensure that China's strategic capabilities are matched by another major power, or combination of powers, so that Beijing does not have free rein to press its territorial claims or political ambitions at the expense of others. This will require a substantial and continuing United States presence in Northeast Asia, and a recognition by China that both Soviet and Japanese military forces are irreducibly part of the strategic equation in the North Pacific.

In the longer term, Australia should attempt to expand defence cooperation with China in order to complement the existing strands of the relationship, to balance ties with the United States, Japan and other Asian nations, and to encourage regular dialogue on politico-strategic issues of mutual interest. China's participation would be essential to the integrity and efficacy of any new security regime for the region which might emerge in the coming years, for many of the same reasons as Japan's. Beijing is simply too important to the security of the Asia-Pacific region to exclude.

In the area of arms control, while it is unrealistic to expect China to divest itself of its nuclear arsenal in the absence of a comprehensive strategic arms reduction treaty, Australia should encourage China to refrain from exporting technology which could lead to nuclear arms proliferation, and to be more open about its nuclear assistance to recipient states. While there is no hard evidence that China has ever supplied military-related nuclear assistance to other countries, the secrecy which surrounds China's nuclear exports is excessive, and has fuelled suspicion and undermined confidence in

its pledges of non-proliferation.⁷⁹ Apart from exhibiting greater transparency on nuclear issues, China's agreement to sign the Non-Proliferation Treaty (NPT) and the Missile Technology Control Regime (MTCR)⁸⁰ would benefit Australia indirectly by demonstrating China's commitment to arms control, and to the confidence-building measures which are critical to regional and global security.

Historical Trade Links

Australia's trade relationship with China dates back to 1788, when three ships from Botany Bay visited the Chinese port of Canton.⁸¹ However, it was not until the great depression stimulated an Australian search for new markets that a significant increase in trade took place. For the next twenty years bilateral trade fluctuated considerably, reflecting the wartime uncertainties and disruptions which afflicted the Chinese polity during this tumultuous period.⁸² In the early 1950s, Australian exports to China, mainly of wool, entered a period of modest but sustained growth,⁸³ followed by the beginning of the wheat trade in 1961.

⁷⁹ For example, China's disclosure that it has been assisting Algeria to develop a nuclear capability since the early 1980s has created concern in the West, although the Chinese have denied that their nuclear cooperation with Algeria has any military connotations. *Far Eastern Economic Review*, 16 May 1991, p.15.

⁸⁰ China's exports of missiles and missile technology to the Middle East, in particular the mooted sale of the nuclear-capable M-9 short-range ballistic missile to Syria, has focused Western attention on China's role as an arms exporter in the aftermath of the Gulf conflict. *Age*, 11 June 1991.

⁸¹ K. Bucknall, 'Australia-China Trade', *Australia-Asia Papers*, No.9 (Centre for the Study of Australian-Asian Relations, Griffith University, 1980), p.14.

⁸² Among which were the Japanese invasion of Manchuria, the Second World War, and the Chinese Civil War.

⁸³ By the end of the decade, Australian exports to China were valued at A\$102 million. Bucknall, 'Australia-China Trade', p.67.

The potential for Australia-China trade remained largely unrealised throughout the 1960s, despite intermittent shipments of Australian wheat which showed considerable annual variations, depending on China's import requirements. The dominance of wheat sales tended to distort the overall trading pattern and accounted for the oscillations in China's ranking as a trading partner from 1960 to 1973.⁸⁴ Imports from China, in the form of agricultural products, textiles and clothing, showed similar fluctuations, although the value and volume of imports from China after the mid-1950s was significantly less than exports, allowing Australia to run a substantial balance of trade surplus which persisted until the late 1980s. The composition of imports from China also changed in the mid-1950s, as China began to export increasing quantities of textiles and clothing. By the late 1960s, imports of agricultural products from China accounted for only 10 per cent of the total volume of imports while textiles and clothing had increased to over 50 per cent.⁸⁵

Reflecting on the historical pattern of trade with China, it is a curious irony that while Australia has traditionally feared both the myth and the reality of Chinese political and military power, dating back to the mid-nineteenth century, there has always been a vocal pro-China lobby in Australia which has argued for an expansion of trade with China. Even at the height of the Cold War, when Australian governments were portraying China as the primary threat to Australia's security, influential groups on both the left and right of the political spectrum contended that Australia could not afford to ignore the vast potential of the China market, particularly at a time when Australia faced the loss of traditional markets in the UK and Europe as a result of the formation of the European Economic Community.⁸⁶

That assessment was vindicated in the early 1970s. Whitlam's recognition of Beijing marked a turning point in Australia's relations with China, and provided the political framework necessary for the development of a more broadly based and stable relationship. In 1973, a Trade Agreement was signed, granting China 'most favoured nation status', encouraging the exchange of technology, support for the

⁸⁴ *ibid.*, p.73.

⁸⁵ *ibid.*, p.41.

⁸⁶ See H. Albinski, *Australian Policies and Attitudes towards China* (Princeton University Press, New Jersey, 1965), p.256.

principle of commercial and long-term contracts, and providing a mechanism for annual joint trade discussions.⁸⁷ In the following decade and a half, two-way trade increased significantly.

Australia-China Trade Today

In 1972-73, Australia's exports to China totalled A\$62.8 million, but in the following year, stimulated by the 1973 Trade Agreement, exports jumped to A\$162.5 million. In 1989-90, that figure had risen to A\$1.2 billion, making China Australia's tenth most important export destination. Imports showed even higher rates of growth during this period. In 1973-74, they were valued at A\$71.8 million, and after an initial hiatus they began to increase steadily, reaching A\$1.2 billion in 1989-90, the same level as exports.⁸⁸ China was ranked as Australia's ninth largest source of imports and ninth largest trading partner in 1990, with two-way trade amounting to A\$2.6 billion.⁸⁹

In recent years, the trade surplus traditionally enjoyed by Australia has closed, and bilateral trade is now more or less balanced. A notable trend is the lack of growth in Australia's overall share of the China market. In 1973-74, China took 2.4 per cent of Australia's exports, the same as in 1989-90, although the percentage share reached a high of 4.8 per cent in 1977-78. Between 1985 and 1990, there was actually a negative growth rate of -7.3 per cent in Australia's exports to China, and overall growth was at significantly lower levels than Australia's trade with China's newly industrialising neighbours, such as Taiwan and the ROK.⁹⁰ Australia's exports are based on a narrow

⁸⁷ *Australian Foreign Affairs Record*, (Vol.57, No.5), May 1986, p.391.

⁸⁸ *Direction of Trade Australia: Time Series 1971-72 to 1988-89 and Direction of Trade Australia, 1989-90: Australian Trade With Countries, Country Groups and Regions*, Central Statistics Section, Department of Foreign Affairs and Trade.

⁸⁹ *China: Country Economic Brief (CEB)*, March Quarter, 1991, Department of Foreign Affairs and Trade.

⁹⁰ R. Garnaut, *Australia and the Northeast Asian Ascendancy*, Report to the Prime Minister and the Minister for Foreign Affairs and Trade

range of raw materials and simply transformed commodities, notably wool, wheat, iron ore, barley and sugar, which are subject to wide fluctuations in price and demand. Imports from China, on the other hand, while dominated by textiles and clothing, are spread more evenly, and are less affected by the volatility which afflicts Australia's exports.⁹¹

The vast potential of China as a major market for Australian exports was underlined by the impressive rate of growth which the Chinese economy experienced in the 1980s, following the reforms initiated by the government in 1978. GNP increased at an average rate of over 9 per cent, making China one of the world's fastest growing economies. Moreover, there are strong complementarities between the Chinese and Australian economies which are a source of mutual attraction. China is relatively resource-poor, with a vast population and underdeveloped infrastructure, the antithesis of Australia. This should ensure a continuing demand for Australia's traditional exports, as well as presenting opportunities for Australia's manufacturing industry, which has yet to make significant inroads into the China market, although there are some promising signs in the area of telecommunications, mining, agricultural technology and power systems.⁹²

Since the mid-1980s, Australia has been a favoured destination for China's limited investment funds. China's two largest overseas investments (outside Hong Kong) are in the Australian resources sector,⁹³ where China is seeking to guarantee supplies of essential raw materials as well as seeking to maximise the return on its investment funds. The value of China's share in these two projects and other smaller investments is about A\$380 million.⁹⁴ Australian investment in China is primarily related to the forty or so joint ventures established since the early 1980s. Estimated at around A\$350 million

(Australian Government Publishing Service, Canberra, 1989), p.72.

91 *China: CEB, and Direction of Trade Australia, 1989-90.*

92 *China: CEB.*

93 The Portland aluminium smelter, and the Mount Channar iron ore mine. Garnaut, *Australia and the Northeast Asian Ascendancy*, p.98.

94 *China:CEB.*

by the Chinese, the value of actual Australian equity is probably closer to A\$100 million.⁹⁵ The Australian experience in investing in China has generally not been a happy one because of excessive bureaucratic red tape and high establishment costs.⁹⁶

The prospects for growth in existing areas of trade are mixed. In 1988 China purchased 10 per cent of Australia's wool exports, but this figure fell dramatically in the next two years and there is unlikely to be a significant improvement in the short-to-medium term.⁹⁷ In the area of food, demand for Australian bulk foodstuffs is likely to increase in the long-term, but the rate of growth will be dependent on continuing economic growth accompanied by liberalisation of China's market for agricultural goods.⁹⁸ The strong growth in iron ore and aluminium exports to China is expected to continue, as both are fundamental to China's program of modernisation.

China has a poor comparative advantage in the energy-intensive aluminium industry and in 1985 imported over 50 per cent of its needs. Despite Australia's major role as a supplier of aluminium to the ROK and Japan, it has not yet established a comparable position in China.⁹⁹ In the non-trade sector, there are good prospects for promoting Australian educational services in the form of English language, vocational training and tertiary courses, but there are unlikely to be many opportunities in the service sector or tourism, and business migration is virtually non-existent.¹⁰⁰

⁹⁵ *ibid.*

⁹⁶ Garnaut, *Australia and the Northeast Asian Ascendancy*, pp.99-100.

⁹⁷ In 1988, China's wool imports peaked at 180 million kilograms of greasy wool, falling to 50 million in 1990. The Australian share of this diminished market fell from 63 million kilograms to 10 million kilograms due to a complex range of factors which included increased foreign competition from New Zealand and South America, high and volatile movements in the Australian dollar, and Chinese domestic policies. *Australian*, 5 November 1990.

⁹⁸ Garnaut, *Australia and the Northeast Asian Ascendancy*, p.194.

⁹⁹ *ibid.*, pp.227-230.

¹⁰⁰ *China:CEB.*

Threats to Australia's Economic Interests

It is clear from this brief survey that Australia has a considerable economic stake in the continued growth and modernisation of the Chinese economy, which relates not only to the existing bilateral economic relationship but also to China's potential to exert economic influence in the Asia-Pacific region. China is an important trading partner for Australia, although its potential should be measured more in terms of its economy, which is only 1.5 times that of Australia, rather than in terms of its population of 1.13 billion.¹⁰¹ This was a point often lost during the heady boom period of the 1980s, when many Australian businessmen harboured unrealistic expectations of market opportunities in China. The Tiananmen massacre has had a salutary and sobering effect on foreign business confidence, forcing a downward revision of Western commercial expectations. China has also been forced to adopt more sensible and pragmatic policies towards the thinning ranks of Western suitors, which in the long term should improve the business environment in China and help to stabilise the trading relationship between Canberra and Beijing.

There are, however, a number of uncertainties about the course of China's future development which may circumscribe its economic prospects and, in the worst case, threaten its whole modernisation program. First and foremost are the recurring cycles of political instability and reversions to economic autarky, which have regularly disrupted China's growth, retarded economic progress, and inhibited the development of a more broadly based trading relationship with Australia. The Tiananmen massacre can be seen as the most recent manifestation of this cyclical pattern. The political instability which has plagued China throughout this century has been a principle cause of the volatility which has bedevilled bilateral trade, although Australia's trade with China has been less susceptible to political disruption than that of many other countries, because Australian exports of primary products and raw materials are not easily substituted.

¹⁰¹ *Australian Financial Review*, 5 June 1991.

Beijing's ambivalent approach to economic reform has also raised questions about China's reliability as a trading partner, and has direct implications for Australia's economic interests. The economic reform process, which began in 1978, was successful in stimulating growth, and many features of central planning were abandoned in the early-to-mid 1980s. However, the limited introduction of free market mechanisms, while stimulating spectacular increases in some areas of production, also fuelled inflation and consumer demand, leading to serious balance of trade problems. Corruption became rife, creating resentment among ordinary Chinese and pressure for political and social reform at a time when increasing numbers of Chinese students were being exposed to Western notions of democracy and freedom.

In response, the Chinese government slowed down the reform process and reaffirmed the continuing relevance of central planning. The two mutually incompatible systems now coexist uneasily, creating intense competition for resources, distorting prices and the value of the national currency, and complicating macro-economic management.¹⁰² Apart from the economic consequences, the qualified commitment to a free market system has exacerbated tensions and differences between those committed to radical, systemic reform in the liberal wing of the Communist Party, and more conservative, doctrinaire members of the ruling elite who remain faithful to the tenets of Marxist orthodoxy. This, in turn, could lead to renewed political upheaval, which would have a depressing effect on bilateral trade.

Australia has a vested interest in seeing the elimination of the current distortions in the Chinese economy, particularly in the areas of prices and trade liberalisation, and a less equivocal approach to fundamental economic reform. For political reasons, China pursues a policy of self-sufficiency in areas such as grain production, which are heavily subsidised. Such policies contribute to price distortions in the Chinese economy, and are detrimental to nations like Australia which have a natural comparative advantage in wheat and other grains.

The combination of political instability, the erratic rate of change and the contradictions inherent in the hybrid policy settings of current Chinese economic planning, is already influencing Australia to look towards China's regional competitors, in particular the ROK and

¹⁰² *China:CEB.*

Taiwan. Bilateral trade with both these countries exceeds that with China, and in June 1991 Australia took a significant step to improve relations with Taiwan by posting a *de facto* ambassador to the Australian Commerce and Industry Office in Taipei.¹⁰³

While Australia is unlikely to jeopardise its ties with China by recognising Taiwan as an independent nation, the strengthening of economic links with Taiwan is a sign that Australia will in future take a more hard-headed and, some would argue, a less compliant approach to China. Australia's burgeoning trade with Taiwan will inevitably reduce China's leverage over Canberra's China policy in the long term, and increase the likelihood of disagreements arising over Taiwan, particularly in the event of a return to power in Canberra of a LCP government. The LCP is likely to be more enthusiastic about trade with Taiwan than the Labor Party, and less supportive of the 'special relationship' with China claimed by the Hawke Government.

However, China's economic importance to Australia is not only a function of the bilateral relationship. Although China is not yet a global player in financial or economic terms, it is certainly one of the larger regional economies. China features prominently in the calculations of all its neighbours and the region as a whole, simply because of its overwhelming size, population and resources, both human and natural. The various proposals for regional economic groupings which have emerged in recent years have all sought to include China as an active member, in recognition of China's almost unlimited economic potential. There is also a broad consensus about the positive political benefits which would accrue from China's integration into the matrix of interdependent relationships which increasingly binds the nations of Asia and the Pacific.

¹⁰³ Laurie Smith, a China and Taiwan expert in the Department of Foreign Affairs and Trade (DFAT), was sent to Taipei for three years in June 1991, to undertake normal 'diplomatic, political and commercial reporting, and to liaise with Taiwanese officials'. In addition, a new Hong Kong, Macau and Taiwan section has been established in DFAT as a result of a policy review in 1990, which recommended strengthening ties with Taiwan. Taiwan was also given permission, in March 1991, to establish a trade office in Canberra. *Australian Financial Review*, 21 June 1991.

Australia has actively supported China's entry into APEC, the most prominent of the regional cooperation forums, and China has reciprocated indirectly, by criticising Malaysia's competing proposal for an East Asia Economic Grouping (EAEG), which includes China, but excludes Australia.¹⁰⁴ China also seems interested in promoting a China-centric, economic sub-grouping, linking it to its Northeast Asian neighbours: Japan, the two Koreas, Taiwan, Hong Kong, Mongolia and the Soviet Union. According to one advocate, the encouragement of 'Northeast Asian Co-Prosperity' would assist China's economic development and contribute to global stability, by drawing on the cultural affinities and economic complementarities of the member countries to challenge the hegemonic influence of a single superpower or trading bloc - a clear reference to the United States and the European Community.¹⁰⁵

Such a grouping, if it were to eventuate, would pose risks as well as offering opportunities for Australia in much the same way as similar proposals advanced by Tokyo and Seoul. In the long term, Australian exports of some raw materials and energy commodities to China could be replaced by Siberia's natural resources. Equally, major new resource and infrastructure developments in the Soviet Far East, marrying Japanese capital and technology, Korean construction and manufacturing expertise, and Chinese labour, could generate sufficient dynamism to stimulate growth throughout the broader Asia-Pacific region and create demand for Australian exports and skills. In either event, Australia cannot afford to ignore such developments or their consequences, because they will directly and substantially impact on Australia's economic security in the twenty-first century.

¹⁰⁴ See, for example, the comments made by Sun Zhenu, Director-General of the Department of American and Oceania Affairs in the Ministry of Foreign Economic Relations and Trade. Sun asserted that the EAEG would be divisive and could not hope to play as important a role as APEC. *Sunday Age*, 23 June 1991.

¹⁰⁵ Hua Di, *Recent Developments in China's Domestic and Foreign Affairs*. See also the article by Gary Klintworth in the *Australian*, 21 June 1991.

Mutual Perceptions

Historically there has been little contact between Chinese and Australians, apart from a brief period in the mid-nineteenth century when significant numbers of Chinese came to Australia in search of gold or as indentured labourers. In China, very little was known of Australia before the establishment of diplomatic relations in 1972. As observed by the Garnaut Report:

The only widespread, popular perception of Australia was for its sheep and wool - in a remarkable piece of brand identification, an association etched in the word the Chinese used for wool.¹⁰⁶

Australia's decision to market its educational courses overseas, particularly in Northeast Asia, stimulated a new awareness of Australia in China, which accelerated in the mid-1980s aided by a new emphasis on cultural relations activities by the Australian government and the personal relationship established by successive Australian Prime Ministers with their Chinese counterparts. In addition, large numbers of Australians began to travel to China as tourists, and a considerable number of Chinese students came to Australia, mainly to study English language courses.¹⁰⁷

These exchanges, along with numerous other formal and informal linkages which now bind the two countries, have started to impact, in a generally favourable way, on the popular perceptions and images which each country has of the other. Chinese typically regard Australia as an empty, physically beautiful country, whose people are friendly and enjoy a high standard of living.¹⁰⁸ Among Chinese officials, Australia's attraction has stemmed from a perception that:

¹⁰⁶ Garnaut, *Australia and the Northeast Asian Ascendancy*, p.331.

¹⁰⁷ By 1989, there were 15,531 Chinese students enrolled in ELICOS (English Language Intensive Courses for Overseas Students) associated colleges, and a backlog of 37,000 Chinese applicants awaiting processing. *Far Eastern Economic Review*, 20 June 1991, p.13.

¹⁰⁸ Garnaut, *Australia and the Northeast Asian Ascendancy*, p.332.

Australia is a large, resource-rich land, having many characteristics and problems akin to the developing world but for reasons of history, already possessing a modern, developed economic system and specialised research base. Quite apart, therefore, from areas of potential cooperation which arise from natural affinity and complementarity (eg. agriculture and mineral extraction) China has begun to look to Australia as a source of some of the technological and managerial skills it is seeking.¹⁰⁹

On the Australian side, China is a country of great fascination and attraction, although there is still considerable public ignorance of China's rich cultural, literary and scientific history. Australians have a generally positive view of China, but there are residual concerns about China's ability to threaten Australia's security, and ambivalence about closer economic ties.¹¹⁰ The Tiananmen massacre impacted quite strongly, in a negative way, on Australian attitudes to China, although Australian antipathy was directed at the government, which was widely seen to be reactionary and repressive. In general, Australians are still relatively uninformed about China and have yet to demonstrate an awareness and understanding of the country consonant with the realities of China's bilateral and wider importance to Australia's future.

¹⁰⁹ Woodard, 'Australia-China', p.31.

¹¹⁰ Garnaut, *Australia and the Northeast Asian Ascendancy*, pp.320-324.

CHAPTER 4

THE REPUBLIC OF KOREA (ROK): AN EMERGING PLAYER

The ROK's Security Environment

The devastation wrought by the Korean War has imbued in all South Korean governments a keen awareness of the political and military threat represented by the opposing regime in Pyongyang. The sense of siege and fear of imminent attack from the Democratic People's Republic of Korea (DPRK) has dominated the ROK's threat perceptions for most of its short existence as a sovereign state, and it is only in recent years that Seoul has come to accept that changes in the global and regional security environment have diminished, to some extent, the threat from the North. From the ROK perspective, the reduction in tensions between the four major powers - the US, the Soviet Union, China and Japan - all of which have direct interests in the Korean peninsula, has enhanced the stability of the region, as has the passing of the ideological dogmatism and disputation of the Cold War.¹ The ROK's optimism about the favourable nature of the emerging power configurations in Northeast Asia has been reinforced by the success of its 'Northern Policy' in eroding Chinese and Soviet support for the DPRK.

Seoul is less sanguine about the US rapprochement with the Soviet Union, because it is thought that reconciliation between the two superpowers may eventually undermine the US commitment to the ROK and Japan.² The Soviet Union remains Pyongyang's chief arms supplier, and neither Moscow nor Beijing has sufficient leverage over Kim Il Sung to force major policy changes. In regard to the DPRK, despite some progress on inter-Korean dialogue, and the steady growth in bilateral trade, the ROK political and military establishment is generally sceptical about Pyongyang's willingness to ameliorate its

¹ See Ministry of National Defense, Republic of Korea, *Defense White Paper 1989* (Ministry of National Defense, Seoul, English version, April 1990), pp.33-35 and 52.

² *ibid.*, p.53.

entrenched hostility, or to change its basic objective of communising the South,³ certainly while Kim Il Sung remains at the helm.

The Strategic Significance of Japan for the ROK

Korean animosity towards Japan is a deeply entrenched psychological constant which, as noted earlier, inhibits the development of closer defence cooperation between Seoul and Tokyo. Bitterness and hostility towards Japan stems not only from Japan's humiliating occupation of Korea from 1910 to 1945, but also from Confucian Korea's sense of outrage and betrayal over Japan's emulation of the West and its apparent rejection of traditional Eastern values and culture.⁴ Although Japan is one of the ROK's most important trade partners and both countries have been members of the US alliance system in Northeast Asia for almost forty years, ROK-Japan relations are still deeply infected by their traditional enmity and distrust. In public opinion polls, Koreans usually place Japan at, or near, the bottom of their least liked countries, a feeling reciprocated by the Japanese.⁵

From the ROK perspective, the US military presence in the region is not only crucial to its security against attack from the North, but it is equally important as a guarantee against future Japanese military expansionism, which in the long term could pose a greater threat to the ROK's security than the DPRK. Seoul is acutely aware that, if a power vacuum developed in Northeast Asia, the Japanese government would come under heavy pressure from conservative elements in the community to translate its formidable economic and technological power into strategic equivalence, which might include a nuclear dimension.⁶

³ *ibid.*, pp.57-58.

⁴ Lee Chong Shik, *Japan and Korea: The Political Dimension* (Hoover Institution Press, California, 1985), p.3.

⁵ *ibid.*, p.2.

⁶ For example, in the *ROK Defense White Paper 1990*, the Ministry of National Defense assessed that Japan intended to build an independent defence system which might lead Japan to become a

There are, however, influential Koreans who argue that the ROK must come to terms with a more powerful and assertive Japan. These sentiments are essentially those of the Hawke Government - that it would be better to engage Japan in bilateral and regional defence cooperation rather than isolating it, thereby encouraging unilateralist sentiment among Japanese defence policy makers which would be inherently more dangerous, and potentially destabilising.⁷ The ROK government seems to be moving towards this view. In recent years there has been a significant increase in bilateral exchanges on security issues, particularly counter-terrorism, a subject of great concern to both countries prior to, and during, the Seoul Olympics. In 1990, ROK naval vessels participated in the US-led Rim of the Pacific Exercise (RIMPACEX 90), a multinational naval training exercise.⁸ This was the first time Japanese and ROK forces had exercised together, albeit within the US alliance framework.

There are indications that the US is quietly encouraging increased defence cooperation between the ROK and Japan for financial, as well as political and strategic reasons.⁹ As a first step, such cooperation is likely to take place within the triangular security framework which binds the US, Japan and the ROK, since this framework is clearly more palatable to both Tokyo and Seoul in the short-to-medium term, than a bilateral security pact. The ROK also now feels more confident of playing its Soviet and China cards as a means of deterring or containing any Japanese strategic or political initiatives which might encroach upon the ROK's security interests.

military power in the region. Such a move, the paper argued, would produce 'a negative impact on the security of Korea'.

7 Lee Ki Tak, 'Some Questions on Japanese Defense' in W. Taylor, Young Koo Cha, J. Blodgett and M. Mazarr (eds), *The Future of South Korean-US Security Relations* (Westview Press, Colorado and Center for Strategic and International Studies, Washington, 1989), p.80.

8 The PACEX series of naval exercises began in 1971. In RIMPACEX 90, the ROK contributed two 1500-ton escort vessels, the *Seoul-Ham*, and the *Masan-Ham*, both of which were manufactured locally. *Korea Times*, 25 March 1990.

9 *Hankuk Ilbo*, 2 April 1990.

The Strategic Significance of China for the ROK

Despite China's support for the DPRK, and its recent history of strategic and ideological opposition to the US (and by extension the ROK), Koreans have always accorded China, as an acknowledged source of their cultural and linguistic heritage, respect, admiration and a degree of warmth which is noticeably absent from Korean attitudes towards Japan. This partly explains the great enthusiasm in the ROK for developing ties with China, which goes beyond the cold calculation of strategic, political and commercial advantage which will clearly accrue from the establishment of an official relationship with China.

For many years, ROK policy has been aimed at decoupling China from its close relationship with the DPRK in the same way that the DPRK has striven to break the security nexus between Washington and Seoul. That the ROK has been demonstrably more successful than the DPRK is largely attributable to its burgeoning trade with China, which has provided major incentives for both nations to eschew the entrenched hostility of the Cold War. Initially conducted discreetly through Hong Kong and various front companies, in recent years trade has been increasingly open and direct - as evidenced by the establishment of a Chinese Trade Office in Seoul, and a reciprocal ROK commercial presence in Beijing.¹⁰

The ROK has moved decisively to capitalise on the momentum generated by these expanding commercial links by targeting the political relationship with China. Roh Tae Woo's 'Northern Policy', unveiled in 1988, has already achieved significant success in strengthening *de facto* political ties with China.¹¹ The Tiananmen

¹⁰ Bilateral trade grew from US\$18.8 million in 1979 to US\$1486.6 million in 1987. E. Graves, 'ROK-US Security Cooperation: Current Status' in Taylor *et al.*, *The Future of South Korean-US Security Relations*, p.70. In 1990, it was estimated to be US\$3.5 billion, exceeding DPRK-China trade which is around US\$480 million (1990 estimate). Sino-ROK trade could reach US\$7 billion by 1994. *Far Eastern Economic Review*, 6 June 1991, pp.15-16.

¹¹ Ostensibly aimed at establishing a 'rapprochement with North Korea, eventually leading to reunification of the country', the unstated aim of the Northern Policy is to detach Pyongyang from

massacre briefly interrupted the expanding dialogue between Seoul and Beijing, but the ROK's low-key, pragmatic response to China's domestic problems contrasted favourably, in China's eyes, with Western criticism.

Australia's Defence Links with the ROK

In strict bilateral terms, Australia-ROK defence exchanges and cooperation outside the framework of the United Nations Command (UNC) are not of great consequence. During the 1970s and most of the 1980s, Australian sensitivities about the human rights record of the Park and Chun regimes, and fear of upsetting the Soviet Union and China, circumscribed defence cooperation.¹² Since 1985, there have been a limited number of visits by senior serving officers of both defence forces, including the Australian Chief of the Defence Force. Generally, however, bilateral exchanges are desultory. There are no Australian military observers at the annual Team Spirit exercises in the ROK, which are the largest and most complex joint exercises of their kind in the Asia-Pacific region, and there are no Australian military personnel on exchange with the ROK or attending ROK staff colleges, although a Korean Army officer is attending the Australian Army Staff College, Queenscliff, in 1991.

Australia expressed interest in the possibility of local defence manufacturers acting as project management consultants and providing servicing and testing expertise for the aborted ROK

its two most important allies, China and the Soviet Union. For a full exposition of the Northern Policy, see *Backgrounder*, 'Facts About the Northern Policy of the Republic of Korea', (No.49), 2 March 1989 (Korean Overseas Information Service, Ministry of Culture and Information, Seoul, ROK); also J. Cotton, 'North Korean Isolation and the Prospects for National Reunification', *The Journal of Defence Analysis*, (Vol.II, No.2), Winter 1990, p.161.

- ¹² For example, in 1978 the Department of Foreign Affairs opposed a visit to the ROK by the Joint Services Staff College on the grounds that it might be misunderstood in Beijing and Moscow. *Canberra Times*, 7 September 1978.

purchase of F/A-18 (Hornet) fighter aircraft from the US.¹³ The most likely area of future defence cooperation is in the protection of sea lines of communication, which are vital to the trade and security of both countries. In 1990, ROK naval vessels participated for the first time with Australian naval vessels in RIMPACEX 90. ROK participation in naval exercises of this kind is likely to become a more frequent occurrence as the ROK seeks to develop a blue water navy, and to strengthen and diversify its military ties with other Asia-Pacific nations.

Australia's active membership of the UNC constitutes an important part of the overall defence relationship because, in Seoul's eyes at least, it is a highly visible demonstration of Australia's commitment to the security of the ROK. For many years, Australia's liaison officers attached to the UN were the main channel for inter-governmental communication. The two liaison officers were integrated into the Australian Embassy as Defence Attache and Assistant Defence Attache in 1966, although the Assistant Defence Attache position was abolished in 1987 as a result of financial cuts by the Department of Defence.

The Defence Attache is a member of both the United Nations Liaison and United Nations Advisory Groups,¹⁴ the latter providing advice on armistice affairs to the Senior Member of the United Nations Command Military Armistice Commission (UNCMAC), which is the most important political component of the UN's organisation in the ROK. The Australian Defence Attache can theoretically serve as the rotating member of the high-profile UNCMAC,¹⁵ but cannot in practice do so because he is the only officer on the Advisory Group

¹³ The ROK had intended to purchase 120 Hornets. *Canberra Times*, 21 March 1990. However, the order was later cancelled and replaced by a comparable order for F-16 (Falcon) fighter aircraft.

¹⁴ *Australian Foreign Affairs Record*, (Vol.47, No.9), September 1976. p.499.

¹⁵ The UNCMAC has five members - a US representative, two ROK officers (one of whom is now the Senior Member), the British head of the Commonwealth Liaison Mission or his British proxy, and an officer selected from the UNCMAC Advisory Group on a rotational basis. UNC Regulation 600-1 of 5 March 1980.

whose rank is below that of full colonel.¹⁶ The reluctance of Australia to up-grade the rank of the Defence Attache seems to be based on a desire to maintain a low-key defence relationship with the ROK, and reflects a certain official ambivalence about Australia's UNC role and the obligations this might entail in the event of renewed hostilities on the Korean peninsula.¹⁷

The Defence Attache's UNC functions are primarily symbolic. Apart from his membership of UNCMAC, he wears two other UN-related hats, one as part of the anachronistic British Commonwealth Liaison Mission to the UNC,¹⁸ commanded by a British Brigadier General, and the other through participation in Joint Observer Team investigations and Special Investigative Team investigations, commonly referred to as the JOTSIT. His JOTSIT duties include verification of DPRK infiltration tunnels, inspections of UN guard posts in the Demilitarised Zone, and investigations of claims of armistice violations.¹⁹

The ROK's Broader Geostrategic Significance

The ROK's regional and global geostrategic circumstances invest it with a security significance for Australia that far outweighs the limited bilateral defence links. The Korean peninsula has historically occupied a prominent position in the East Asian balance of power. Its modern-day relevance to the security of the region stems from the far-reaching consequences a renewal of hostilities between North and South would have for all the major powers - China, Japan,

16 This is because the North Koreans will not deal with UNCMAC representatives who are below the rank of colonel at meetings of the MAC.

17 Based on discussions with former Australian Defence Attaches and DFAT officers.

18 Australia and New Zealand are supposedly represented on the UNCMAC by this British Officer, but the Commonwealth Liaison Mission seems to serve little other purpose, certainly from an Australian point of view.

19 Interviews with former Defence Attaches and Defence officials in Seoul and Canberra.

the Soviet Union and the United States. In strategic terms, the legacy of the Korean War has left the Korean peninsula as one of the most heavily militarised places on earth, with the 750,000-strong armed forces of the ROK and 43,000 US service personnel facing some 1,111,000 DPRK regulars.²⁰ Added to this equation are the extensive air and sea assets which the US maintains in close proximity to the Korean theatre, the tactical nuclear weapons which are deployed by the US in the ROK,²¹ and the nuclear and conventional forces possessed by the DPRK's main benefactors, the Soviet Union and China.

Although the region is accorded little attention by Australian policy makers or strategic analysts, who are generally preoccupied with contingencies closer to home, Australia might find itself drawn into a future Korean conflict for one or more of the following reasons. First, it can be argued that Australia has residual commitments to the defence of the ROK as a member of the UNC and as a signatory to the Sixteen Nation Declaration of 1953. Second, should US forces be engaged in Korea, as they almost certainly would in the event of conflict with the DPRK, under the terms of the ANZUS Agreement Australia would be obliged to consult with the US, and might come under considerable pressure to make a military contribution to the ROK's defence. Third, if attacked by the DPRK, the ROK would probably ask Australia for assistance, and make it clear that future relations would be contingent upon a positive Australian response.²²

None of the above factors would necessarily guarantee a direct Australian military involvement in Korea nor, on balance, is Australia bound to support the ROK militarily as a result of its ANZUS or UNC

²⁰ *The Military Balance, 1990-1991* (International Institute for Strategic Studies, London, Autumn 1990), pp. 166 and 168.

²¹ The US Defense Department has confirmed that there are nuclear weapons in the ROK. See L. Brown, *American Security Policy in Asia*, Adelphi Papers No.162, Spring 1977, p.31; and also W. Taylor, 'Challenges to ROK-US Security Relations', in Taylor *et al.*, *The Future of South Korean-US Security Relations*, p.118.

²² See A. Selth, *Australia and the Republic of Korea: Still Allies or Just Good Friends?* Working Paper No.84 (Strategic and Defence Studies Centre, Australian National University, Canberra, September 1984), pp.12-27, for a fuller discussion of these issues.

obligations. However, in the event of a renewal of hostilities on the peninsula, there is a strong case for arguing that Australia would find it difficult to resist pressure to make some form of military commitment as a result of the totality of its interests in the ROK, and its relationships with the United States and Japan. Moreover, war on the peninsula would not only fundamentally threaten the stability of the two Koreas but also the whole North Pacific balance of power.²³

Australia also has an interest in the outcome of the long-running process of inter-Korean dialogue on reunification. The two Koreas are still far apart, despite over twenty years of negotiations on this question, and there is widespread scepticism internationally,²⁴ and in the ROK, that any significant progress will be possible while Kim Il Sung remains in power. There are signs, however, that the DPRK is slowly, but inexorably, being forced to modify its uncompromising reunification policy. Pyongyang has long opposed separate UN membership for the two Koreas, arguing that it would be an obstacle to eventual reunification. However, in a major concession, Pyongyang submitted a formal application for UN membership in June 1991, after the Soviet Union and China both indicated they would not oppose a similar application from Seoul.²⁵

North Korea's leaders are also uncomfortably aware that their increasing isolation from their traditional great power supporters, the Soviet Union and China, is gradually eroding their position *vis-à-vis* the South, thus increasing pressure on them to make further adjustments in their reunification strategy. Encouraged by these changes in the strategic and political landscape, the ROK is openly mooted the possibility of signing a peace treaty with the DPRK after the two Koreas have been admitted into the UN. This would entail the dissolution of the UNC and the abrogation of the military armistice agreement.²⁶ President Roh Tae Woo has also confidently predicted

23 For a useful analysis of the significance of the two Koreas to the security of this region, see P. Polomka, *The Two Koreas: Catalyst for Conflict in East Asia?*, Adelphi Papers No.208, Summer 1986.

24 See F. Downs, 'The Politics of Division', *Asia-Pacific Defence Reporter*, July 1990, pp.15-16.

25 *Canberra Times*, 11 July 1991.

26 According to the Foreign Minister, Lee Sang Ock. *Telegraph-Mirror*, 14 June 1991.

that reunification will eventuate 'in the mid-1990s, and within this decade at the latest',²⁷ although such public optimism has not been reflected privately by many influential Koreans, who worry about the economic and political costs to the ROK of reunification in the light of the German experience.

The Nuclear Imbroglio

Perhaps the issue of greatest import for Australia on the Korean peninsula is that of nuclear proliferation, given the compelling evidence that the DPRK has embarked on a nuclear weapons program. Concern about developments in the DPRK was expressed publicly in Australia by Dr Paul Dibb, Deputy Secretary of Defence, in December 1989, when he told the Senate Standing Committee on Foreign Affairs, Trade and Defence, that the most serious issue regarding nuclear weapons in the Asia-Pacific region was 'evidence with regard to North Korean nuclear weapons development'.²⁸

Although the facility was not specified in the committee hearing, Dibb was clearly referring to the construction of a 30 MW research reactor and associated facilities at Yongbyon, some 90 kilometres north of Pyongyang, which raises serious questions about the ultimate purpose of the DPRK's nuclear program. This reactor, which is 'suspiciously large' for a research reactor,²⁹ would be capable of producing an estimated 6-8 kilograms of plutonium a year,³⁰ sufficient for one or two 20-kiloton weapons, roughly the size of the nuclear devices detonated over the Japanese city of Nagasaki in 1945.

²⁷ *Australian*, 18 June 1991.

²⁸ *Canberra Times*, 2 February 1990.

²⁹ The reactor is larger than the 26 MW Dimona research reactor in Israel, suspected of providing material for Israel's nuclear weapons program, and about the same size as the Iraqi Tamuz I reactor destroyed by the Israeli air force, and the Trombay reactor, which supplied plutonium for India's atomic explosions in 1974. 'North Korea: The Yongbyon Puzzle', *Asiaweek*, 9 March 1990, p.18.

³⁰ *Korea Times*, 6 July 1989.

The development of a research reactor using locally produced uranium and graphite, and based on an early British design which the North Koreans have copied,³¹ is entirely consistent with Pyongyang's autarkic policies in other areas of national development, and its reputation for fierce independence. There is broad consensus among ROK, Japanese and American DPRK analysts that the facilities under construction at Yongbyon include a reprocessing plant and a high-explosive testing facility, and that the DPRK will be able to produce a crude nuclear warhead by the second half of 1993.³² According to the Japanese, the DPRK has developed its own hot-cell reprocessing technology; in the absence of a fast breeder reactor, it is difficult to see what the DPRK would do with this supply of plutonium other than use it for nuclear weapons purposes.³³ The high-explosive testing facility, located near the reprocessing plant, is another indication of Pyongyang's intentions.³⁴ Such a facility would be essential for the development of high-yield detonation devices, which are necessary to trigger nuclear weapons.

The DPRK already has a number of systems which are capable of delivering nuclear warheads. Most attention has focused on the locally produced Scud-B short-range ballistic missile, and a variant with an extended range known as the Scud-C, which is undergoing testing.³⁵ However, the DPRK's nuclear-capable MiG-23 and MiG-29

31 The reactor is a virtual replica of the 60 MW Calder Hall magnox reactor, which the UK built in 1956. *Asiaweek*, 9 March 1990, p.18.

32 *Washington Times*, 3 May 1991.

33 Interview with Japanese DPRK analysts.

34 *Korea Times*, 6 July 1989.

35 The DPRK acquired Scud-Bs from the Egyptians in the early 1980s and reverse engineered them to produce their own variants. The Scud-B currently being tested appears to have enlarged fuel and oxidizer tanks, a modified engine and a new guidance package. See J. Bermudez Jnr quoted in the *Korea Times*, 15 June 1990, and his article in *Jane's Defence Weekly*, 29 July 1989, p.161. The Scud-C was first photographed in May 1990, by a United States spy satellite, and is believed to have an improved range of between 370 and 560 miles (depending on the size of the warhead). The Scud-Cs are believed to be more accurate than the *Hussein* and the *Abbas* versions of Iraq's Scud-Bs. *Korea Times*, 6 June 1990 and 7

aircraft would be more effective platforms for delivering the crude nuclear weapons which the DPRK is likely to acquire.

Pyongyang's motives for developing nuclear weapons are not entirely clear but they probably include:

- A desire to gain leverage over the ROK and the US in any future negotiations over reunification.
- A strategy of 'calculated ambiguity',³⁶ aimed at complicating US/ROK war planning in the event of renewed hostilities.
- A belief that the Soviet Union and China could no longer be relied upon to provide a countervailing security shield to match that provided by the US to the ROK.³⁷
- A response to the ROK's development of an extensive nuclear power infrastructure and related expertise, which gives Seoul the ability to develop nuclear weapons in a relatively short time frame should a decision be taken to do so.
- A desire to counter the US on-shore and off-shore nuclear capability.

Whatever Pyongyang's motivation, the possession of nuclear weapons by the DPRK will have negative repercussions for Australia across a broad range of interests. In the first place, it threatens to destabilise the fragile balance of power on the Korean peninsula, by removing the nuclear veto effectively exercised by the respective superpower patrons of the two Korean states and increasing the likelihood that nuclear weapons will actually be used in any future conflict. The three nuclear powers with direct interests in the Korean peninsula, the US, China and the Soviet Union, are aware that any nuclear confrontation between them over Korea would run the risk of

July, 1990. See also J.Ackerman, 'North Korea's Military Might' in *Current News Supplement*, 10 April 1991, p.B-35.

³⁶ *Asiaweek*, 9 March 1990, p.19.

³⁷ See the comments made by Professor Kim Kyong Won, former ROK Ambassador to the US, in *Newsweek*, 8 April 1991, p.58.

global nuclear war, and this prospect has served as a major deterrent to armed conflict. The DPRK nuclear weapons program introduces a dangerous wild card into this high-stakes game, all the more so given Pyongyang's demonstrated capacity for independent action in the military and terrorist domain.

There is also the question of the ROK and Japanese response. In the late 1970s the ROK attempted to pursue its own nuclear weapons option, which it was forced to abandon by the US.³⁸ US officials believe that the ROK still has contingency plans for developing nuclear weapons. The ROK could conceivably carry out an Israeli-style pre-emptive strike on Yongbyon,³⁹ despite doubts about the efficacy of such action should Pyongyang have already succeeded in producing sufficient quantities of weapons-grade material for a small number of nuclear devices. Japan will also come under pressure to reconsider its anti-nuclear policies, although on balance neither Japan nor the ROK is likely to risk incurring the wrath of the international community (or, in Japan's case, the powerful domestic anti-nuclear lobby) by openly producing nuclear weapons. Nevertheless, the acquisition of nuclear weapons by the DPRK will introduce additional tensions and uncertainties into a region which, as noted by Foreign Minister Evans, has for forty years been 'the eastern fulcrum of the global East-West conflict'.⁴⁰

As a strong supporter of the Non-Proliferation Treaty (NPT), Australia also has a direct interest in ensuring that signatory states, such as the DPRK, adhere to the conventions of the NPT regime. After refusing for nearly six years to honour its obligations to permit an International Atomic Energy Agency (IAEA) inspection of its new nuclear facilities, Pyongyang finally agreed to an inspection in June 1991, less than two weeks after foreshadowing its intention to apply

38 The US 'persuaded' the ROK to cancel the planned purchase of a French reprocessing plant. See Brown, *American Security Policy in Asia*, p.31.

39 In April 1991, the ROK's Defence Minister, Lee Jong Ku, issued a public warning that the ROK had developed contingency plans for eliminating the Yongbyon nuclear facilities. *London Sunday Times*, 21 April 1991.

40 Address by Senator Gareth Evans, Minister for Foreign Affairs and Trade, at the 1989 Australia-Korea Forum.

for UN membership.⁴¹ This followed pressure from the US, Japan and the Soviet Union, which took the unprecedented step of threatening sanctions against the DPRK, including an embargo on Soviet-supplied nuclear fuel, if the North Koreans did not comply with the terms of the NPT.⁴² The DPRK's refusal to complete a full-scope safeguards agreement for the Yongbyon facilities threatened the viability of the NPT, and undermined Australia's attempts to reduce regional tensions by fostering greater security cooperation.⁴³ Given its track record so far, even if regular IAEA inspections of Yongbyon are carried out, doubts about the purpose and extent of the DPRK's nuclear program will probably persist. Iraq has already proven the IAEA's inability to detect a determined effort by a NPT signatory state to conceal clandestine nuclear programs.⁴⁴

Changes in the ROK-US Defence Relationship

Another strategic issue of consequence for Australia is the change which is taking place in the defence relationship between the ROK and the US. Apart from a brief period of uncertainty in the late 1970s, when President Carter proposed the withdrawal of all US ground forces from the ROK, the US military commitment to the ROK under the 1954 Mutual Defence Treaty⁴⁵ has remained a reassuring

⁴¹ *Sydney Morning Herald*, 10 June 1991. The DPRK should have allowed the inspection within 18 months of acceding to the NPT in 1985. A. Mack, 'Is Pyongyang the Next Proliferator?', *Pacific Research*, (Vol.3, No.1), February, 1990, p.6.

⁴² *Age*, 17 April 1991.

⁴³ See D. Ball, *Air Power, the Defence of Australia and Regional Security*, Working Paper No. 229 (Strategic and Defence Studies Centre, Australian National University, Canberra, April 1991), pp.18-20.

⁴⁴ *Time*, 8 July 1991.

⁴⁵ Virtually all the 43,000 US air and ground elements stationed in the ROK are there under the terms of this treaty. It also provides the umbrella for defence cooperation in a number of areas including war reserve storage, maintenance of US aircraft at Korean industrial facilities, and R & D on surface-to-air missile guidance technology. See Joint Communique of 21st Annual

constant for successive governments in Seoul, and the principal deterrent to an attack by the numerically superior forces of the DPRK. Both the US and the ROK are having to make significant adjustments to accommodate the new strategic realities of the post-Cold War era and to rethink the old assumptions which have underpinned their defence relationship since the Korean War.

These change first became evident in the late 1980s when, under the pressures of mounting trade deficits and growing Congressional reluctance to assume the major burden of Western defence,⁴⁶ the US government began a major reassessment of its military deployments and strategy in the 'Asia-Pacific Rim'. The resulting report concluded that while substantial naval and air assets would be required in the North Pacific for the foreseeable future, to safeguard vital sea-lanes and to protect US interests in the region, the US should aim to reduce the overall level of its ground forces by ten per cent in Japan and Korea, and persuade the host nations to assume a greater proportion of the financial costs of maintaining US forces in their countries.⁴⁷

As a consequence, the US announced, on 30 January 1990, the withdrawal of just over 2,000 ground support personnel out of the 43,000 US troops stationed in the ROK. This withdrawal was to be completed by mid-1992, with a further phased reduction of an additional 3,000 non-combat personnel scheduled for completion by mid-1993. In addition, five US air force bases were to be consolidated in two locations, and an additional squadron of F-16 fighter aircraft

Security Consultative Meeting between the US and the ROK, *Korea Times*, 21 July 1989.

⁴⁶ Particularly for countries like the ROK, which is perceived by many Americans to be getting defence on the cheap while engaging in unfair trade practices, which are deemed to be the root cause of the US trade deficit.

⁴⁷ Age, 4 April 1990. See also the Report to Congress by the Department of Defense entitled, *A Strategic Framework for the Asian-Pacific Rim: Looking Towards the 21st Century* (US Government Printing Office, Washington DC, April 1990), particularly pp.9-10, which spell out a three-phase process for restructuring and streamlining US forces in the ROK.

was to be provided.⁴⁸ Washington also asked Seoul to double its financial contribution from 30 per cent to 60 per cent of the costs of maintaining US forces in the ROK.⁴⁹ Along with these adjustments, the ROK was encouraged to assume greater operational responsibility for its forces by modifying its command structure,⁵⁰ and to prepare for the appointment of a ROK officer as the senior member of UNCMAC.⁵¹ In the longer term, Washington will probably make further reductions over the course of the next decade leaving only a token ground force supported by naval and air units.⁵² Eventually, all ground elements may be withdrawn. It is also likely that the US will remove its tactical nuclear weapons from the ROK, as part of its strategy for discouraging the DPRK from proceeding with the development of nuclear weapons.⁵³

Despite these reductions, the US clearly has no intention of vacating the region or of completely withdrawing its military forces from the ROK in the foreseeable future, as some commentators have suggested. Apart from the continuing need to maintain a strong deterrent posture against the possibility of a future attack from the North, the US now has more than ideological reasons for ensuring the viability of the ROK. Economic ties have developed to such an extent that the US would be seriously affected by the disruption to bilateral

⁴⁸ *Korea Times*, 31 January 1990.

⁴⁹ *Korea Times*, 18 February 1990.

⁵⁰ Seoul later announced the creation of the position of Chief of the General Staff for National Defense (*Chungang Ilbo*, 2 February 1990), and a five-year plan aimed at de-politicising the military and emphasising professional career development. *Far Eastern Economic Review*, 14 March 1991, pp.23-30.

⁵¹ Major General Hwang Won Tak was named as the first ROK senior UNCMAC officer on 25 March 1991, over the protests of Pyongyang. *Korea Times*, 26 March 1991.

⁵² These are the predictions of several leading ROK defence analysts, including Dr Ahn Pyong Jun of Yonsei University. *Korea Times*, 21 February 1990.

⁵³ *Washington Times*, 3 May 1991. At the time of writing, the US was considering unilaterally withdrawing its tactical nuclear weapons from the ROK as part of its new global nuclear arms reduction strategy.

trade which would inevitably accompany a major conflict on the peninsula, particularly if hostilities spread to Japan and the major shipping routes serving both countries.⁵⁴ The US military presence in the ROK is still the most critical component of the regional security structure which has successfully deterred conflict on the Korean peninsula since 1953. For this reason alone, Australia has an interest in ensuring that the US and the ROK successfully manage this current period of transition and that a too-rapid US withdrawal does not fuel a compensating military build-up by the ROK, which would not only heighten tensions in the region but also threaten the hard-won democratic gains made since Roh Tae Woo's election in 1988.⁵⁵

Australia-ROK Trade

The substantial and sustained growth in trade between Australia and the ROK has been central to the overall relationship, paralleling the remarkable transformation of the ROK economy; the ROK has recovered from the devastation of the Korean War to become the world's tenth largest trading nation in the space of three decades.⁵⁶ The ROK's impressive economic performance is clearly reflected in the figures for two-way trade with Australia. In 1965, Australia's exports to the ROK totalled 0.2 per cent of total exports, valued at A\$37.8 million.⁵⁷ By 1990, this figure had grown to 5.5 per cent (A\$2.67 billion).⁵⁸ Imports from the ROK showed lower, but still impressive, rates of growth. In 1972-73, they accounted for only 0.26 per cent of

⁵⁴ The ROK now has a significant political constituency in the US in the form of the 800,000 to 900,000-strong Korean-American community, which has further strengthened bilateral ties. *Far Eastern Economic Review*, 14 March 1991, pp.36-38.

⁵⁵ See *Far Eastern Economic Review*, 15 February 1990, p.32.

⁵⁶ *Economist*, 18 August 1990, p.12.

⁵⁷ Garnaut, *Australia and the Northeast Asian Ascendancy*, p.72.

⁵⁸ *Direction of Trade Australia, 1989-90: Australian Trade with Countries, Country Groups and Regions*, Central Statistics Section, Department of Foreign Affairs and Trade.

total imports (A\$10.4 million), but by 1989-90 the percentage had risen to 2.4 (A\$1.25 billion).⁵⁹

By 1990, the ROK had overtaken New Zealand to become Australia's third largest export market,⁶⁰ behind only Japan and the United States, and showing the second highest trend growth rate (19.5 per cent) of the top ten destinations for Australian exports.⁶¹ The import figures reflect similar rates of increase from a lower base, with imports from the ROK showing the second highest trend growth rate of any country in the top ten sources of imports (21.7 per cent) over the five-year period between 1985 and 1990.⁶² The ROK is currently Australia's eighth largest source of imports.⁶³ Although in volume terms Australia is a less significant partner in the ROK's overall trade picture, Australia's importance has grown steadily to the point where it is the ROK's fourth largest supplier (3.7 per cent in 1990), and despite its small population the ROK's thirteenth most important market (1.6 per cent in 1990).⁶⁴ Since 1962, two-way trade has increased over 1,000-fold, with a 28 per cent compound annual growth rate.⁶⁵

Australia's share of the ROK's trade has been disproportionate to its size and economic strength largely because of the high degree of complementarity between the two economies. The ROK is a mirror image of Australia in resource terms - it is a small country (about half the size of the state of Victoria), densely populated (approximately 44 million people), poor in minerals and mountainous, with only about 20 per cent of its land available for cultivation. Most of the mineral resources, heavy industry, mining and power generation located in the northern part of the peninsula were lost when the country was partitioned along the 38th parallel at the end of the Korean War.

⁵⁹ *ibid.*, and *Direction of Trade Australia, Time Series 1971-72 to 1988-89*.

⁶⁰ *Korea Times*, 22 February 1990.

⁶¹ *Direction of Trade Australia, 1989-90*.

⁶² *ibid.*

⁶³ *ibid.*

⁶⁴ Calculated by the Central Statistics Section, Department of Foreign Affairs and Trade, from ROK Customs data. See also *Korea Times*, 22 February 1990.

⁶⁵ *Korea Times*, 26 June 1990.

Bilateral trade has developed along a classical pattern redolent of Australia's earlier experiences with Japan. Initially fibres, bulk foods and minerals formed the basis of Australia's exports to the ROK, followed by processed raw materials and, more recently, the beginning of high-quality goods and services. Unprocessed primary products, notably iron ore, coal, wool, wheat and beef still comprised 52 per cent of Australia's exports to the ROK in 1989/90, but this was a dramatic fall from the 75 per cent they constituted only three years earlier (1985/86) and reflects a significant growth in exports of elaborately transformed materials (ETMs) and simply transformed materials (STMs), particularly aluminium, which increased by over 100 per cent between 1987 and 1990.⁶⁶ The most promising growth areas in the merchandise sector look to be cotton, beef, car parts, building materials, and processed foods. Other prospective growth areas are education, tourism, business migration, and new technology such as information industries, aerospace, biotechnology and environmental control technology and equipment.⁶⁷

Tourism promises to draw Australia and the ROK together in much the same way as the flow of Japanese tourists to Australia has done for Australia-Japan relations since the mid-1980s. Compared with Japan, which accounted for over 17 per cent of tourists to Australia in 1989, the number of ROK tourists was an insignificant proportion at 0.5 per cent.⁶⁸ However, based on current projections, between 15-20,000 Korean tourists will probably come to Australia in financial year 1990-91 and, in the longer term, the Australian Tourist Commission estimates that 250,000 Korean tourists can be anticipated annually by the year 2,000.⁶⁹ As more than 50 per cent of Koreans expect to spend US\$3,000-6,000 per person during a typical overseas

⁶⁶ Interviews with officials of Austrade and the Department of Foreign Affairs and Trade in Canberra and Seoul.

⁶⁷ *ibid.* Aluminium has not been included because it may have reached saturation point in terms of Australian exports to the ROK.

⁶⁸ Garnaut, *Australia and the Northeast Asian Ascendancy*, p.246.

⁶⁹ *Korea Herald*, 26 January 1991.

excursion,⁷⁰ the revenue implications for Australia are obvious, not to mention the general stimulus to the economy and to the bilateral relationship such an influx of Koreans would bring.

The Security Implications for Australia

As with Japan, and to a lesser extent China, it is clear that Australia cannot afford to ignore or be complacent about the economic aspects of its relationship with the ROK, given the extraordinary growth in bilateral trade and the ROK's increasing economic importance to the Asia-Pacific region. Whereas, forty years ago, Australia defined its security interests in the Korean peninsula in exclusively strategic and political terms, such a narrow definition is no longer appropriate or meaningful in assessing Australia's real security interests in the ROK.

To begin with, Australia has compelling economic reasons for seeking the retention of a strong US military commitment to the ROK as a guarantee of the regional balance of power and the security of the ROK itself.⁷¹ Over 5.5 per cent of Australia's exports are now destined for the ROK, and the ROK provides 2.4 per cent of Australia's imports.⁷² Military conflict between the two Koreas would jeopardise these links and, in a worse-case scenario, could even lead to a virtual cessation of trade for a substantial period of time. In Australia's current parlous economic state, the interruption of trade and other economic exchanges with the ROK would have serious repercussions

⁷⁰ These are 1989 estimates, based on a survey for the Australian Embassy conducted by the Hankook Research Company, entitled 'Report on Image and Understanding of Australia', 24 June 1989.

⁷¹ While the original justification for the US military presence in the ROK was to deter a DPRK attack, it is clear that balance-of-power concerns are now an equally important reason for the retention of US forces, a fact acknowledged by ROK Prime Minister Kang Young Hoon, in February 1990. See *Hankyoreh Shinmun*, 8 February 1990.

⁷² This figure does not include income derived from ROK investment and tourism, which is likely to become an increasingly important source of revenue in the future.

for the Australian economy, particularly if the conflict spread to Japan and China, which together account for a third of Australia's total trade and, in Japan's case, a substantial proportion of foreign investment and income from tourism. In addition, the manner in which the reunification issue is resolved will have considerable economic as well as strategic implications for Australia, as will the eventual political form a unified Korea will assume. A dynamic, democratic Korean state of some 65 million people could play a significant role in regional development and provide new trade opportunities for Australia.

One of the less well-known and potentially contentious aspects of Australia's role as a major supplier of energy-related raw materials to the ROK is that Australian uranium accounts for over one-third of the ROK's domestic consumption of uranium.⁷³ Already, nuclear power represents 37 per cent of the ROK's installed power capacity, and over 50 per cent of electricity is actually generated by nuclear power because it is used for base load.⁷⁴ By the year 2,000, nuclear energy is expected to contribute 47.4 per cent of the ROK's total installed power generation capacity and 15.1 per cent of total energy consumption.⁷⁵ Although uranium ore is present in the southern half of the Korean peninsula, it is not economically feasible to mine and process the ore, or the 700,000 metric tons of monazite deposits containing thorium distributed along the waterways of the southern provinces. As a result, the ROK has to import virtually all its uranium requirements and has usually done so on the basis of long-term contracts from supplier countries like Australia. In May 1979, the ROK initialled an Agreement with Australia concerning Cooperation in the Peaceful Uses of Nuclear Energy and the Transfer of Nuclear Material.

Australian sales of uranium, like many of its other energy raw material exports to the ROK, could be threatened by the expanding trade links between Seoul and its Northeast Asian neighbours, principally the Soviet Union. For example, in May 1990 the ROK concluded an agreement with the Soviet Union to import 390 tonnes of

⁷³ In 1989, the Korea Electric Power Corporation (KEPCO) imported 477 tonnes of uranium from Australia, or 36 per cent of its total needs. *Korea Times*, 31 March 1990.

⁷⁴ *Korea Times*, 27 February 1990.

⁷⁵ *ibid.*

uranium enriched to 3.5 per cent over a ten-year period.⁷⁶ While this will not affect current arrangements with Australia, Seoul's eagerness to establish economic and political ties with Moscow could erode Australia's market position.

There are also political sensitivities associated with the sale of Australian nuclear material to the ROK, given Seoul's stated long-term aim of developing a nuclear reprocessing capability, and the ever-present danger of nuclear conflict on the Korean peninsula. Australia has gone to considerable pains to ensure that the safeguards provisions in its nuclear agreement with the ROK include an undertaking that nuclear material will not be diverted for 'military or explosive purposes',⁷⁷ and that the ROK must obtain prior consent from Australia for any re-transfer of enriched or re-processed Australian-sourced nuclear material. The agreement also contains a sanctions article 'acknowledging Australia's right to suspend supplies and to require return of material in the event of detonation of a nuclear device, failure to comply with IAEA safeguards, or breach of the agreement.'⁷⁸ If the ROK were ever to embark on its own nuclear weapons program, under the sanctions article Australia would be forced to suspend exports of uranium to the ROK, which would have negative consequences for the broader relationship as well as incurring immediate penalties in lost income.

The nexus between the economic, political and strategic interests which Australia has at stake in the ROK received little recognition in Canberra until the latter part of the 1980s. As noted by one Korean academic, the ROK and Australia each 'regarded the other strictly in commercial and bilateral terms, and within this framework each ... maintained a strictly mercantilist policy towards the other'.⁷⁹ The tendency to view the relationship as consisting of a number of discrete elements was not conducive to the development of a broadly based relationship necessary to sustain the momentum and dynamism

⁷⁶ *Nuclear Fuel*, 19 March 1990, p.5, and Press Release by ROK Ministry of Energy and Resources, 8 May 1990.

⁷⁷ See text of the agreement in *Australian Foreign Affairs Record*, (Vol.50, No.5), May 1979, p.300.

⁷⁸ *ibid.*

⁷⁹ Speech by Dr Young Soo Gil at the Australia-Korea Forum, Canberra, 21 November 1989.

for future growth. Such an approach also denied Australia a significant voice in decisions taken in Seoul which had the potential to impact on Australia's interests.

In addition, trade issues tended to affect the whole relationship to a disproportionate extent, because it was the only area of significant contact and exchange. Whenever a conflict over trade arose, there were insufficient mechanisms and linkages, both formal and informal, to facilitate speedy and non-acrimonious conflict resolution. In 1984, a Trade Development Council Mission to the ROK commented that 'the number of cultural exchanges and other links do not seem to be commensurate with the degree of economic importance that Korea holds for Australia'.⁸⁰ This stood in direct contrast to the management of Australia's relations with China and Japan. In 1986, a senior Australian diplomat could claim, with some conviction, that in regard to both China and Japan, Australia had 'the most intricate structures for ministerial meetings and bureaucratic back-up in the totality of our foreign relations'.⁸¹

The shallowness of the relationship threatens Australia's economic interests in two other ways. First, Australia still lacks the political leverage and general influence to counter that of the ROK's other major trade partners, Japan, the US and the EC. This is particularly important in areas such as beef and agriculture, where political factors are at least as important as commercial considerations in determining suppliers and market share. Second, the ROK's determination to isolate the DPRK, by successfully prosecuting its 'Northern Policy', is preoccupying policy-makers in Seoul and causing them to focus on economic opportunities in the Soviet Union and China, the DPRK's traditional allies and major trading partners.

Of all the Northeast Asian states, Seoul has been the most enthusiastic proponent of sub-regional economic cooperation and integration. The ROK is currently looking at two potential economic cooperation projects. One, often referred to as the Hyundai Plan (after the giant Korean trading company), envisages ROK exploitation of

⁸⁰ *Australian Foreign Affairs Record*, (Vol.57, No.10), October 1986, pp.906-907.

⁸¹ Woodard, 'China and Japan', p.4.

Soviet Siberian resources in minerals, gas, oil, forestry and fishing.⁸² Hyundai has plans to develop natural gas reserves on Sakhalin Island, and Gorbachev and Roh agreed to cooperate on joint exploration and development of the Sakhalin fields during their meeting on Cheju Island in May 1991.⁸³ The Sakhalin venture is partly dependent on DPRK cooperation, as a pipeline carrying the gas to the ROK will transit the DPRK.⁸⁴ The Yakhutsk coalfields are also of interest to the ROK. These mooted projects are, of course, a long way off, and there are many political and economic obstacles to be overcome. There is no doubt, however, about the determination and commitment of the South Koreans to tap into the abundant natural resources of the Soviet Far East, or the impact that these developments will have on Australia's exports of energy raw materials to the ROK.

The other focus of ROK interest is trade with China across the Yellow Sea, 'based on ROK and Japanese capital and technology, Chinese and North Korean labour, and the relatively well-developed industrial infrastructure of the region'.⁸⁵ Already there is a burgeoning network of economic and personal links across the Yellow Sea connecting the ROK's heavily populated west and south coasts with the Chinese ports of Shanghai, Qingdao, Weihai and Dalian, which will be further strengthened when diplomatic relations are established. These developments present opportunities as well as risks for Australia. However, unless Australia is able to substantially broaden and entrench its economic interests in the ROK before Northeast Asian integration gathers pace, Australia may face a serious erosion of its markets in the ROK and, in the worst case, economic marginalisation.

There are signs that policy makers in Seoul and Canberra are seeking to redress the asymmetries in the bilateral relationship and to provide the foundation for a deeper and more diverse partnership. Following an unprecedented number of high-level official exchanges

⁸² *Far Eastern Economic Review*, 9 May 1991, p.18.

⁸³ *ibid.* There is a possibility that Australia's BHP may be involved in a consortium with Hyundai, and the US oil company Amoco, to develop oil and gas reserves offshore from Sakhalin. *Australian Financial Review*, 26 July 1991.

⁸⁴ *Australian*, 21 June 1991.

⁸⁵ *Far Eastern Economic Review*, 30 May 1991, p.56.

in the late 1980s, culminating in the visit of President Roh to Australia in November 1988, a string of new initiatives were announced, which included the convening of the first Australia-Korea Forum to examine the future of bilateral ties.⁸⁶ The follow-up meeting of the Forum, in April 1991, laid out a blueprint for the future of the relationship which, *inter alia*, recommended a broad range of measures to 'improve understanding, enhance confidence and strengthen cooperation'.⁸⁷

Regional Cooperation

The growing commonality of interests between Seoul and Canberra has also been reflected in multilateral and regional forums. The most important of these, in the economic and trade area, are the Multilateral Trade Negotiations (MTN), and the Asia-Pacific Economic Cooperation (APEC) process. Under the Hawke Labor Government, far greater salience than ever before has been accorded to economic factors in Australian foreign policy, in recognition of the serious domestic and international consequences of the nation's declining competitiveness, and the threatened demise of the global trading system represented by GATT.⁸⁸ Although expressing some reservations about agricultural liberalisation,⁸⁹ Seoul has been broadly supportive of Australia's position in the Uruguay Round MTN. This is largely due to its own dependence on trade, and the consequent

⁸⁶ See speech by Prime Minister Hawke in Seoul on 30 January 1989. *Australian Foreign Affairs Record*, (Vol.60, No.1), January 1989, p.8.

⁸⁷ See Report of the Korea-Australia Forum, *Agenda for Australia-Korea Cooperation Towards the 21st Century* (Department of Foreign Affairs and Trade, Canberra, 1991), p.23.

⁸⁸ Richard Higgott provides a useful analysis of Australian policy responses to changes in the international economic order in 'The Politics of Australia's International Economic Relations: Adjustment and Two-Level Games', *Australian Journal of Political Science*, (Vol.26, No.1), 1991.

⁸⁹ *Canberra Times*, 19 November 1990.

vulnerability of its economy to the formation of restrictive trading blocs and other impediments to the free flow of trade.⁹⁰

It was the potential of regional economic cooperation to promote trade⁹¹ which first attracted policy makers in Canberra and Seoul to the idea of establishing 'a regular process of regional consultation on trade and economic issues'.⁹² The Australian and ROK enthusiasm for APEC can also be explained by their desire for alternative trade strategies, should the weakening of GATT signal an outbreak of global economic conflict which would diminish all but the strongest national economies. If this were to eventuate, then both Australia and the ROK would have little choice but to align themselves with an Asia-Pacific regional grouping possessing sufficient countervailing power, to contest the economic supremacy of the European Community and North America.⁹³

Hawke's decision to announce the APEC initiative in Seoul, during his visit to the ROK in January 1989, succeeded in attracting Korean support for the proposal at a time when there was considerable uncertainty about the attitude of the United States towards a regional grouping of this nature. The announcement by Hawke also signalled to the Koreans that there was a greater role for middle-ranking powers such as Australia and the ROK in the age of the 'new mercantilism',

⁹⁰ See, for example, the Joint Communique of the Sixteenth Australia-ROK Ministerial Trade Talks. *Australian Foreign Affairs Record*, (Vol.59, No.8), August 1988, p.323.

⁹¹ There were of course many other factors - enhanced manoeuvrability for the economic diplomacy of both nations, particularly as a supplementary measure to the Cairns Group activity in the Uruguay Round. See A. Fenton Cooper and J.Bonnor, 'Asia-Pacific Economic Cooperation: An Evolving Case Study in Leadership and Cooperation Building', *International Journal*, (Vol.XLV), Autumn 1990, pp.845-851.

⁹² Fact Sheet No.40, October 1989, Department of Foreign Affairs and Trade.

⁹³ See *Korea Times*, 20 September 1989. In responding to Hawke, Roh asserted that 'the nations of the Pacific Rim ... must close their ranks to cope with the shock waves of change now battering the world'.

less dominated by American hegemony and 'characterised by more diffuse and plural structures of power'.⁹⁴

Korean Perceptions of Australia

As in Australia's relationship with Japan and China, Australia's relationship with the ROK has been weakened by the lack of traditional links and by mutual ignorance of each other's social and cultural make-up. Like Australians, Koreans have always been an insular people, in more than just a geographic sense. Although their horizons have expanded as the ROK has propelled itself into the modern, post-industrial age, Korean perceptions of the outside world since 1953 have been largely conditioned by their relationships with the United States and Japan, almost to the exclusion of other nations. Knowledge of Australia has tended to be extremely limited, dated and stereotyped. Typically, Australia has been regarded as a large, remote, underpopulated, wealthy, predominantly white society, located incongruously at the southern gateway to Asia. Until very recently, the single most recalled 'fact' about Australia was the White Australia policy, which was widely thought to be still in existence.⁹⁵ That perception has been significantly eroded over the past three years but, given the extensive ties which now bind the two countries, Korean impressions of Australia, though generally positive, are still relatively uninformed.

A poll conducted for the Garnaut Report in July 1989 revealed that Koreans rated Australia's standard of living well above their own but below that of the United States, the United Kingdom, Japan and the former Federal Republic of Germany. On a scale of popularity, Australia was ranked behind only the United States, the United Kingdom and Germany, but in terms of those countries with which it

⁹⁴ Cited in R. Higgott, 'The Politics of Australia's International Economic Relations', p.4. The elements of the new mercantilism are threefold, according to Higgott - increasing economic nationalism, the emergence of the 'new protectionism', and a decline in United States willingness, or ability, to exercise leadership in international economic institutions.

⁹⁵ Based on the writer's own observations between 1984 and 1987.

was considered essential to 'get along', Australia was seen as moderately important, well behind the United States, Japan and China, but comparable with Germany, the United Kingdom and Canada. The most common images of Australia were those related to Australia's geography or climate, followed by its flora and fauna. There was little knowledge of Australian cultural, intellectual, or sporting pursuits or awareness of specific aspects of Australia's lifestyle, or standard of living.⁹⁶

A separate poll carried out by the Hankook Research Company for the Australian Embassy, specifically aimed at assessing Korean attitudes to Australia as a destination for investment, tourism, immigration, and education, made some equally revealing findings. The survey concluded that Koreans were 'misinformed about the general industrial structure of Australia', in perceiving the country as a 'resource based economy with little in the way of secondary industries'. Racial discrimination was listed by 20 per cent of respondents as a disincentive to investing in Australia. In regard to emigration, Australia received a very high rating, but scored relatively poorly as a desired educational location, principally because Australian tertiary institutions were considered to lack quality and prestige. Australia was a popular holiday destination, although measured on a statistical 'actual purchase intention' it was well behind Hong Kong, Taiwan, the United States and Singapore. Finally, and probably most significantly, despite their generally superficial knowledge of Australia, Koreans gave Australia a very positive overall evaluation (over 3.8), substantially higher than, for example, the United States (2.9).⁹⁷

⁹⁶ Garnaut, *Australia and the Northeast Asian Ascendancy*, pp.326-328.

⁹⁷ The ratings used conformed to the following guidelines:

3.75 and over = very good

3.50-3.75 = good

3.25-3.49 = fair

3.00-3.24 = poor

below 3.00 = very poor

(Hankook Research Company, 'Report on Image and Understanding of Australia'.)

Australian Perceptions of the ROK

It is difficult to write with any authority on Australian perceptions of the ROK, simply because there has been no research of any significance directed specifically at this subject. Anecdotal evidence suggests that Australian images of Koreans are as stereotyped and simplistic as the evaluations of Australians by Koreans. Perhaps the most important difference is that Australian feelings about Koreans are, on the whole, considerably less positive. This is attributable to the lack of political plurality in the ROK, and well-documented cases of human rights abuses. It is also, however, a product of the extremely narrow, limited and overwhelmingly negative Australian and Western media coverage of the ROK, which focuses almost exclusively on the perennial and often violent confrontation between the government and militant student groups. These unsavoury images were balanced, to a certain extent, by coverage of the Seoul Olympic Games, although one could argue that this event was as idiosyncratic and unrepresentative of every-day Korean life as baton-wielding combat policemen and rampaging students. Nevertheless, Australian attitudes towards Koreans and Asians generally are slowly becoming more informed and less suspicious. As noted in the Garnaut Report,

Australians are now more than ever before, aware of the economic imperatives of their place in the region. Unlike earlier generations, they do not feel greatly threatened, a plurality approve current immigration policies, tourism is widely accepted as beneficial and there is a perceived need for increased person-to-person contacts and for increasing the study of Asia in the education system.⁹⁸

Nevertheless, the ROK has failed to capture the imagination or the interest of Australians in the way that China and Japan have, as evidenced by the relative lack of institutional and financial resources devoted to the ROK, and the dearth of Australian media coverage of anything Korean other than the obligatory student demonstrations. The ROK's low profile in Australia is partly attributable to its

⁹⁸ Garnaut, *Australia and the Northeast Asian Ascendancy*, p.320.

geographical position, sandwiched between the two Northeast Asian giants, Japan and China, whose preeminence in cultural, population, strategic and historical terms has tended to deflect attention away from the two Koreas. There is little doubt that if the Korean peninsula was located almost anywhere else in Asia, it would command far greater attention and status in Australia than it does at present.

CHAPTER 5

CONCLUSION

The preceding pages provide some sense of the broad range of interests which Australia has at stake in Japan, China and the ROK. They also illustrate the inadequacy of traditional military-dominated definitions of national security, which ignore or understate the interrelationship between the economic, political and strategic dimensions of security. For most of its history, most notably during the period of the Cold War, the Australian approach to national security questions has been dominated by the Anglo-American 'realist' view of the world, and the central 'realist' preoccupation with military threats, the regional and global balance of power, and defence of territorial integrity and national sovereignty. This focus is most evident in the seminal *Review of Australia's Defence Capabilities*, written by Paul Dibb in 1986, in which Australia's regional security interests are defined and ordered primarily in terms of geostrategic proximity,¹ and military threat contingencies.

The problem with such analyses is that they ignore a wide range of non-military factors, particularly those of an economic nature.² As has already been noted in this paper, economic policy decisions taken in Tokyo, in regard to structural adjustments or bilateral trade, could have significantly more far-reaching effects on Australia's national security interests, than many of the contingencies

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- 1 Dibb depicts Australia's regional security interests in a map at the end of the report, showing a series of concentric circles radiating out from Darwin. See his Report to the Minister for Defence, *Review of Australia's Defence Capabilities*, March 1986 (Australian Government Publishing Service, Canberra, 1986), Map 1.
 - 2 In fairness to Dibb, his report had very specific terms of reference and was directed at the Defence Forces. The point is, however, that the Department of Defence definition of national security used by Dibb in his report, with its emphasis on protection against 'armed attack' or the threat of armed attack, has conceptually dominated Australian thinking and policy on national security at the expense of broader, alternative interpretations. See *ibid.*, p.36.

mentioned in the Dibb Review and the subsequent 1987 Defence White Paper. Both these reports also devote insufficient attention to the implications, for Australia, of military conflict in areas outside Southeast Asia and the Southwest Pacific. For example, the chart at the end of the Dibb Review depicting Australia's regional security interests does not extend to Japan or the two Koreas. Yet a renewal of hostilities on the Korean peninsula, or an outbreak of conflict involving any of the Northeast Asian states, could have far more profound security implications for Australia than events closer to home.

Indeed, whether looked at from a politico-strategic or economic perspective, it is difficult to escape the conclusion that the Northeast Asian sub-region, and its principal member states, is at least as important to Australia's security as Southeast Asia or the Southwest Pacific. And if one accepts the thesis of Gareth Evans, that 'the instruments of policy required to protect our security interests go well beyond those administered by the Minister for Defence',³ it follows that the more complex security environment which Australia faces, as it approaches the new millenium, demands a more comprehensive analytical and policy framework than the reductionist, distorting and single-dimensional logic of Australia's traditional defence-driven approach to national security policy.

Japan

Japan is clearly the centrepiece of Australia's relationship with Northeast Asia, and already ranks with the United States as the nation with the greatest capacity to directly affect our national security interests, in the analogy of the matrimonial contract, 'for richer or for poorer, for better or for worse'. The incipient bilateral defence links are likely to increase Japan's overall importance to Australia in the long term, and strengthen the trilateral relationship which binds Australia and Japan to the United States in strategic partnership.

³ Ministerial Statement by the Minister for Foreign Affairs and Trade, Senator Gareth Evans, entitled *Australia's Regional Security*, (Department of Foreign Affairs and Trade, Canberra, December 1989), p.15.

The great strategic and political question for Australia is not whether Japan will occupy a more prominent position in the global hierarchy of the new international order, commensurate with its economic, technological and financial strength. It is rather the direction, form and dimension of Japan's global strategy which is of foremost concern to Australia. Ikle and Nakanishi are right to argue that Japan needs 'a broad strategy consonant with its self image as a humanistic, democratic and peaceful nation'.⁴ However, the corollary to their thesis - that 'the geographic horizon of Japan's defense policy must expand beyond the region of the Japanese islands' - is less demonstrable or compelling, because of the regional and domestic sensitivities which would complicate, and constrain, any attempt by Japan to project military power beyond the confines of homeland and sea-lane defence. The participation of the JSDF in peacekeeping operations under UN auspices would be a positive and welcome demonstration of Japan's commitment to the values of the UN charter, and to the UN as a pillar of the new global order. Beyond that, however, the security interests of both Australia and Japan would be best served by a Japan which fulfils its new global and regional responsibilities according to the non-military prescriptions of the Kuriyama formula.

Japan has already shown an ability and willingness to pursue its international objectives through the medium of its aid policies and investment strategies and, less directly, through its formidable economic leverage; particularly in the Asia-Pacific region, where it is now the dominant economic and financial power. In regional terms alone, Japan has an unparalleled capacity to affect Australia economically because of the sheer magnitude, as well as the diversity, of the bilateral trade in goods and services. Even in the calculation of national interest favoured by the 'realists', any major disruption to the pattern of bilateral trade, whether as a consequence of military conflict or economic policy decisions taken in Tokyo, could have potentially devastating consequences for Australia's economic security. That is certainly the lesson of the structural changes in the Japanese economy of the past two decades, and the underlying danger of the policy of comprehensive security, through which Tokyo seeks to pursue its

⁴ F. Ikle and T. Nakanishi, 'Japan's Grand Strategy', *Foreign Affairs*, (Vol.69, No.3), Summer 1990, p.81.

mercantilist aims and to ensure its own national security. The challenge for Australia will be to manage its relationship with Japan in such a way that the expansion of Japan's security horizons, and Japan's assumption of a global leadership role, does not lead to regional instability, or come at the expense of Australia's vital interests.

China

Australia's peculiar historical ambivalence towards China has made it particularly difficult to define the clear parameters of the bilateral relationship, or to come to terms with the nation's enduring security interests in the 'middle kingdom'. Since the end of the Second World War, Australian attitudes towards China have oscillated through a full range of emotions, from the entrenched hostility and enmity of the 1950s and mid-1960s to the effusive amity of the mid-1980s. What appears to have emerged in the wake of the Tiananmen massacre is a more hard-headed and perspicacious evaluation of the Australian interests which are invested in China. They are substantial and multifarious.

In strategic terms, China's importance stems from its central position in the global balance of power and its capacity to project military and political influence in the Asia-Pacific region by virtue of its geostrategic importance, natural and human resources, nuclear weapons and the size of its conventional armed forces. There is an alternative view, that China's strategic strength has been overestimated by the West; that it is not a great power economically or militarily; and that it should be seen for what it is - a big but backward country, which is visibly unstable.⁵ While there is some truth in this portrayal, it should not obscure the fact that China remains the pre-eminent Asian military power, with a capacity unmatched outside the Soviet Union or the United States to exert strategic influence on Australia's regional security interests, as well in the broader areas of arms control and nuclear proliferation.

Australia should seek to ensure that any attempt by China to reassert its historical primacy in Northeast Asia, and beyond, is not injurious to the interests of other regional states, or detrimental to the

⁵ *Time*, 10 June 1991, p.23.

evolving dialogue on regional security cooperation which will provide the basis for future peace and stability in Asia and the Pacific. Australia should also endeavour to draw China into this dialogue by increasing bilateral defence contacts, and by encouraging China to pursue a policy of constructive engagement with its neighbours which eschews the settlement of regional disputes by military force. In this respect, Beijing's approach to the Spratly Islands imbroglio will be a litmus test of its willingness to demonstrate that chauvinism has no place in the external policies of a modern and enlightened China.

Australia would be best advantaged by a China committed to a greater degree of political liberalisation and to unambiguous economic reform, rather than the hybrid policy settings which are currently retarding economic growth and distorting prices and exchange rates. While Australia has substantial commercial interests in China, China is currently of less consequence than its potential would suggest because of the recurring cycles of political instability and reversions to ideological dogmatism, which are a direct cause of the volatility that has afflicted Australia-China trade since the early 1950s. If the economic reform process should falter, there is a risk that the anarchical tendencies in Chinese society could again manifest themselves in ways which would have negative consequences for Australia's security interests in China. The complementarity of the Chinese and Australian economies, and the political and cultural ties which now link the two countries, will guarantee that Australia retains a foothold in the Chinese market for the foreseeable future. However, the shallowness of the trade profile, and the possibility of closer Northeast Asian economic integration, suggest that Australia will have to work hard to ensure that its interests in China are preserved and not marginalised in the longer term.

The ROK

Australia's security perspective of the ROK has been very much conditioned and shaped by the images and experiences of the Korean War. The ROK was regarded by successive conservative governments in Australia as a pro-Western redoubt in an Asian communist sea which threatened Australia's interests, and even its very existence. However, there was little genuine Australian affinity

with the Korean people, or knowledge of Korean society, history or culture. This distorted and idiosyncratic view of the ROK has served to obscure the ROK's real security importance to Australia, which is an amalgam of many factors.

First and foremost, is the critical geostrategic position the Korean peninsula occupies at the fulcrum of Northeast Asia, where the interests of all the four major Pacific powers intersect. As a consequence, any renewal of hostilities between the two Koreas poses the risk of a wider regional or even global conflagration, a scenario which has been complicated by the DPRK's nuclear weapons program. While the growing rapprochement between the ROK, China and the Soviet Union on the one hand, and the accommodation between the US and the Soviet Union on the other, lessen the likelihood of armed conflict on the peninsula, the risk of war will remain until North and South Korea achieve their oft-stated goal of peaceful reunification.

It is clearly in Australia's interests for there to be an end to the artificial division of the Korean nation, provided the outcome is a unified Korea which shares Australia's commitment to democratic values, and which is prepared to work with its neighbours in a constructive and cooperative way. Australia has an additional reason for wishing to see the removal of one of the last vestiges of the Cold War in Asia. As a result of its residual UN commitments, and its alliance relationship with the ROK and the US, there is a possibility that Australia could be drawn into any future military conflict involving the two Koreas. At the very least, Australia would find its economic, political and strategic interests under threat to a far greater extent than was the case during the 1991 Persian Gulf crisis, should the ROK's economy and sovereignty be threatened by war.

The reduction of the US military presence in the ROK, including the eventual removal of US land-based tactical nuclear weapons, is not inconsistent with Australia's security interests, as long as there is a reasonable transition period which will allow the ROK and its Northeast Asian neighbours to adjust to the new strategic realities. This process of readjustment should ideally be carried out in the context of a more comprehensive framework for arms reduction on both sides of the Korean peninsula. Until that happens, Australia should support a continuation of the US-ROK Mutual Defense Treaty,

because it is still crucial to the strategic equilibrium of the whole Northeast Asian region.

As with Japan, and to a lesser extent China, the ROK is now vital to the economic security of Australia as our third most important market, and a significant future source of tourism and investment. Any dislocation of this trade could have potentially serious consequences for Australia, especially if it were to occur in a relatively short time frame, as the result of military conflict or unanticipated policy changes in Seoul. In regard to the latter, a substantial broadening and deepening of the bilateral relationship is Canberra's best guarantee that the ROK will continue to take account of Australia's economic interests.

The root cause of Australia's still tenuous and shallow links with the ROK is the extremely limited and superficial knowledge each country has of the other, and the general view of Australia, common to the ROK, Japan and China, that the southern continent is a vaguely idyllic, predominantly white appendage of Asia; rich in natural resources, but with little to offer in the skills and human resources which are the key to success and prosperity in the twenty-first century. Failure to change this perception, or to disregard the rapid changes which are transforming the ROK economy, and propelling the nation along the road to developed country status and economic integration with its Northeast Asian neighbours, will diminish our security in the long term, no less than political instability or military conflict: all are integral parts of the same security equation.

Australia would do well to recognise this nexus and emulate the holistic Northeast Asian approach to security. Japan, China and the ROK all acknowledge that security is not only a function of military strength, or dependent solely, or even principally, on the defence forces. A truly comprehensive security policy, designed to maximise the protection afforded to a nation's vital interests, must harness all the constituents of national power in defence of its institutions, values, prosperity and sovereignty.

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The monograph seeks to illustrate these linkages by identifying Australia's national security interests in the dynamic Northeast Asian states of Japan, China and the Republic of Korea (ROK), and analysing the implications for Australia of developments in, and between, these states. One of the principal conclusions reached is that the Northeast Asian sub-region is already critical to Australia's security, whether broadly or narrowly defined. Individually, and conjointly, Japan, China and the ROK have as much claim to inclusion in Australia's primary area of security interest as the more geographically proximate countries of Southeast Asia and the South Pacific.