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## Australia–Taiwan relations: the evolving geopolitical setting

WILLIAM T. TOW AND CHEN-SHEN YEN\*

*Compared to its relations with the People's Republic of China (PRC), Australia's relations with Taiwan are often underrated. As a substantial trading partner and as a polity that has transformed into a robust 'Asian democracy', Taiwan constitutes a significant if highly complex dimension of evolving Australian foreign policy. A workshop was convened at the Australian National University in early May 2007 to consider the evolving geopolitical, economic and socio-cultural dimensions of bilateral relations between these two regional actors. Among the basic themes emerging from workshop deliberations were how the growth of Chinese power would effect stability in the Taiwan Straits and throughout maritime Asia; how Chinese power would shape future order-building in the region and any role that Australia and/or Taiwan might play in that process; how Taiwanese democracy would factor into any future regional order and what Australia's future Taiwan posture should be given that that country is committed to a 'one China policy' acknowledging the PRC as China. Among the conclusions reached were that Australia must intensify its diplomatic efforts toward both Beijing and Washington to ensure that potential Sino–American differences over Taiwan do not escalate into military conflict and that time and generational change may work to facilitate a peaceful solution to this protracted security dilemma.*

The rise of the People's Republic of China (PRC) represents what may be the most significant development for international relations in the twenty-first century. Although its material resources still cannot match those of the United States and its domestic challenges remain formidable, China's economic and strategic development over the next few decades is likely to be instrumental in transforming the global power structure from one dominated by US global hegemony to one shaped by the geopolitics of multipolarity.<sup>1</sup> In such a world, an authoritative Council on Foreign Relations report has recently argued that Washington 'should advance its interests in Asia with a strategy that combines both balance-of-power and concert of power tactics' by sustaining 'America's space, air, and naval superiority and maintain and enhance its alliances in East

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Asia'. The US should also make every effort, however, to 'integrate China more completely into the international economic system' and to 'promote military dialogue, transparency, and coordination with China' (Hills and Blair 2007: 76, 80). This dual track strategy may not be contradictory. Sustaining a US strategic role and commensurate capabilities in the region while simultaneously promoting a cooperative relationship with the PRC in key areas of economics, diplomacy and security is critical to managing structural transition in the Asia–Pacific. It is also important for realising conflict avoidance in that region and within the overall international security system.

This overarching theme was the focus of a two-day workshop convened by the Australian National University (ANU) and the National Chengchi University (NCCU) on regional security perspectives. It involved both Australian and Taiwanese analysts undertaking extensive discussion on how regional stability and conflict avoidance could be pursued in East Asia during a time when that region is undergoing major structural transitions. Dialogue between Australia's and Taiwan's academic circles has been rare. The ANU–NCCU project was initiated to fill a unique niche in 'Track III' deliberations on how Australia, Taiwan and other middle-sized regional polities are responding to China's growing significance and to ongoing American allied security approaches in response to this trend.

Four major themes emerged from workshop deliberations. Foremost among these was the nature of Chinese power and how it would affect regional geopolitics. As one presentation noted, the Asia–Pacific region and the world are now confronted with 'two strategic Chinas': (1) an increasingly assertive and self-confident great power primed to challenge America's military capacity and economic interests in both a regional and global context; and (2) an apprehensive actor worried about its limited capacity to project force over long distances and about other powers' tendencies to coalesce against and neutralise its growing economic and strategic clout. Contested identity emerged as a second key consideration. This pertained to China's ambivalent attitudes toward order-building and regional institutions. A third point of emphasis was the extent to which Taiwan's evolution as a vital economy and democratic polity relates to overall Australia–Taiwan relations. Finally, considerable discussion was generated over how Australia's future 'Taiwan posture' should develop.

Because of its centrality in the context of overall workshop deliberations, we focus on how Asia–Pacific geopolitics affects Australia–Taiwan relations. The other three points, however, will be woven into the analysis. In an increasingly globalised world, economics, democratisation and diplomacy all converge in ways that must affect the geopolitical context of Australia–Taiwan bilateral relations and the significance of that bilateral relationship in the Asia–Pacific region's future stability.

Perhaps the most important theme weighed by workshop participants was the question of whether Australia's growing economic relationship with China will

be sufficient to sustain positive relations with that country if Australia expands future strategic links with Japan, the US, India and possibly Taiwan on the basis of 'shared democratic values'. As a robust Asian democracy, whose continued independent political existence is at the centre of what may be the Asia-Pacific region's most acute security dilemma, Taiwan enjoys extensive support among a wide array of legislative, business and interest constituencies in the US and Japan—Australia's closest regional allies—as well as among similar Australian constituencies. Australia will be increasingly pressed under either its current government or a Labor successor to make hard choices about where its strategic interests lie. It will be difficult for Australia's diplomacy to be suitably nuanced to warrant a role as a 'middle power' broker in a major Taiwan dispute. The challenge facing policy-makers in Canberra is to identify and pursue distinct Australian national interests toward both China and Taiwan, even if those interests do not always coincide with either Taipei's, Beijing's or Washington's strategic predilections.<sup>2</sup> Adjusting to a Taiwan increasingly prone to emphasise that island's politico-cultural democratisation *vis-à-vis* a still largely authoritarian Chinese state provides these Australian policy-makers with the equally daunting task of making very hard choices between holding true to their own democratic values by supporting Taiwan's political pluralism or pursuing more pro-China policies calculated to better advance Australia's economic interests and regional influence.

Discussion emerging during the workshop on how Australia can address this task will initially be reviewed here. This review will entail a brief assessment of how the Australia-Taiwan relationship is developing beyond the *pro forma* economic and cultural (and, arguably, informal political) bilateral interaction that constitutes the basis for relations between these two polities. The politico-security aspects that flow from such interaction must be considered in relation to how 'the China factor' may constrain such ties. A second subsection considers the value of Australia and Taiwan establishing greater strategic transparency on Taiwan-related security issues as opposed to the prevailing posture of 'strategic ambiguity'. US policy-makers and policy analysts have recently confronted the same question: will the danger of conflict in the East China Sea be greater if the US, Australia and other democratic states default on explicitly commenting and acting independently on Taiwan security issues because they are apprehensive about compromising their growing economic ties with the PRC by doing so? A conclusion will stipulate some future policy options raised by the workshop participants for pursuing Australia-Taiwan relations.

### **Evolving regional geopolitics: an Australia-Taiwan dimension?**

Initial workshop deliberations focused on how nations' views of power and identity 'spill over' to shape the politics of security and survival. Clearly,

Taiwanese perceptions of their own nation's identity are evolving in ways that draw into greater question their traditional assumptions about being inherently part of a 'Chinese state'. In theory, this renders at least part of the 'one China formula' used by Australia, the US and most other countries more problematic. As the current Democratic Progressive Party (DPP) government in Taiwan shifts further away from employing 'Republic of China' (ROC) as the operative nomenclature to describe their own polity, it is making a very sharp—and from Beijing's vantagepoint an unacceptable—differentiation between China and Taiwan that threatens to legitimise Taiwan's national secession from the Chinese mainland. China's passing of an anti-secession law in March 2005 is designed to attack this trend. Article 8 of that legislation justifies the use of force to bring Taiwan back into the mainland if the latter's government crosses a 'red line' of formally declaring Taiwanese independence from China.<sup>3</sup> Some workshop participants argued that this Chinese position was inconsistent with previous statements by Mao and other Chinese Communist Party leaders prior to attaining power in 1949 that acknowledged Taiwan's historical independence from China. Notwithstanding which position is taken, the dispute over identity threatens to exacerbate what has been an acute security dilemma in the East China Sea and, in the absence of careful policy management, to precipitate Sino–American confrontation with potentially devastating consequences. This can only lead to East Asia's destabilisation and to that in overall international security.

As recent events have demonstrated, establishing policies of strategic equilibrium is easier said than done for all sides concerned. China's anti-satellite test (ASAT) in early January 2007 led many Western and regional strategic analysts to conclude that China has now mastered key space sensor, tracking and other technologies to project effective asymmetrical warfare against US space surveillance assets supporting American and allied forces that might be called upon to intervene in a future China–Taiwan confrontation (Covault 2007). In March, immediately following Australia's signing of a joint security declaration with Japan, US Vice President Dick Cheney breathed new life into an earlier proposal advanced by Japanese Prime Minister Shinzo Abe calling for the formation of a 'quadrennial' security agreement involving Australia, India, Japan and the US to balance China. While the Australian government has reacted cautiously to this idea, Indian naval forces made history by engaging in defence exercises with US and Japanese maritime contingents off the Japanese coast in April.<sup>4</sup> China has to date been comparatively restrained in responding to what could well appear from its perspective to be a growing pattern of security collaboration among 'Asia Pacific democracies' as a means of balancing Chinese power. It appears, however, that nearly two decades after the Cold War's demise, geopolitics is once again intensifying in the Asia–Pacific region in ways that could propel Taiwan's security to centrestage.

Australia's formal diplomatic posture toward China–Taiwan relations was defined when it officially recognised the PRC as the sole legal government of

China in the Joint Communiqué of 21 December 1972. Australia now consistently acknowledges the position of the Chinese government ‘that Taiwan is a province of the People’s Republic of China’.<sup>5</sup> Like the US, successive Australian governments have pursued a policy of ‘strategic ambiguity’ designed to exploit China’s growing economic ties with the West while preserving an option to resist any unprovoked Chinese military attack against Taiwan.<sup>6</sup> From Australia’s perspective, to assume a different posture would potentially undermine its alliance with the US by violating tenets of alliance loyalty and values. Several Australian policy ramifications have evolved from this approach: (1) Australia’s admiration for Taiwan’s democratic political system has not been allowed to override its interest in preserving a peaceful and stable geopolitical system in Asia which a Sino–Taiwanese conflict would disrupt; (2) Australia cannot publicly speculate about how it would respond to a conflict over Taiwan; (3) Australia will apply diplomatic efforts to advocate to the US the preservation of regional peace and prosperity and, by extension, advocate the imperative for conflict avoidance over Taiwan; and (4) within the context of the above three principles, Australia will seek to strengthen its trade and cultural ties with both the PRC and Taiwan in a strictly bilateral context (see Howard 2005; Tow 2005). Workshop delegates noted that at least four additional factors have worked to sustain the value of a ‘Taiwan connection’ from the perspective of Australian policy planners: (1) the ‘Tiananmen Square shock’ rupturing what had been, prior to 1989, viewed in Canberra as an unassailable momentum in Sino–Australian relations; (2) the transition of Taiwanese domestic politics into a robust form of democratic government; (3) the adoption by Taiwan of a ‘pragmatic diplomacy’ posture during the 1990s that allowed for Taipei’s greater understanding of Australian strategic interests (although this may now be tested by Sino–Taiwanese competition in the South Pacific); and (4) a sustained growth in Australia–Taiwan trade and investment relations.

A major topic of discussion was to what extent such positive trends have ‘spilled over’ to shape Australian–Taiwanese politico-security relations. As is usually the case in international security relations, an Australian strategic posture that may be conceptually sound is vulnerable to external developments. Australia’s Taiwan policy has proven to be no exception. As several workshop participants noted, Canberra’s long-standing ‘dual approach’ of building more extensive economic ties with the PRC while maintaining alliance fealty to Washington is becoming increasingly complicated to manage. At least three intensifying and countervailing trends are responsible for this pattern:

- A tendency by both the US and the PRC to solicit more explicit assurances from Canberra regarding its support or restraint (respectively) in the event of a future Sino–Taiwanese conflict;
- A growing awareness by Australian policy-makers and analysts that the geopolitics of Northeast Asia will not allow Australia to escape the

- consequences of a major war in that sub-region without severe and protracted consequences for its own economy and security; and
- A resurgence of US interest in Asia–Pacific geopolitics as American policy-makers shift from their preoccupations with international terrorism and Iraq to a revived anxiety over the growth of Chinese military power and diplomatic influence in the Asia–Pacific, and seek support from traditional US regional allies such as Japan and Australia to impose new forms of containment against a ‘rising China’.

### *Pressure on Australia*

The ‘Armitage warning’ is a well known example of American pressure directed toward Australian policy-makers: that some in Washington viewed Australia as a potentially ‘soft ally’; a warning that if Australian forces did not fight alongside America in a future Taiwan Straits conflict the ANZUS alliance would come under great strain.<sup>7</sup> That school of thought appeared to be validated when Australian Foreign Minister Alexander Downer insisted during a visit to Beijing in August 2004 that ANZUS could not be regarded as an automatic tripwire for Australian involvement in Taiwan if a Sino–American conflict erupted there: ‘the ANZUS Treaty is invoked in the event of one of our two countries, Australia or the United States, being attacked. So some other military activity elsewhere in the world, be it in Iraq or anywhere else for that matter does not automatically invoke the ANZUS Treaty’ (Downer 2004). Downer’s interpretation of the ANZUS Treaty was literally correct. If the American or Australian homelands are attacked (such as was the case during 11 September when the World Trade Center and the Pentagon were struck) or if US or Australian forces are attacked in a ‘Pacific’ locale, Article 4 of the Treaty calls for each country to ‘act to meet the common danger in accordance with its constitutional processes’.<sup>8</sup>

Downer’s observation was nonetheless ‘corrected’ by the US Ambassador to Australia who observed that Washington expected its Australian ally to help defend Taiwan if the US found itself defending it against a Chinese military incursion. It was also indirectly criticised by both Taiwan’s Deputy Foreign Minister and the US State Department who expressed concerns that Australia remain consistent with what they interpreted to be a traditional ANZUS commitment (ABC 2004; ABC News Online 2004). Although Downer modified his original observation and Prime Minister John Howard interceded to assure all parties of his country’s policy continuity, the episode did little to modify the impression, reportedly even existing among Australian diplomatic officials, that Australia is ‘tilting against Taiwan in recent years’. In 2005 testimony submitted to the Australian Parliament Senate Foreign Affairs and Trade References Committee, for example, former Australian Ambassador to China Gary Woodard observed that Australians would not support their country’s involve-

ment in a future Taiwan conflict and that recent opinion polls had reflected a growing Australian public support for stable Sino–Australian ties (Australian Senate Foreign Affairs, Defence and Trade References Committee 2006; see also Sutter 2005: 285; Pan 2006).<sup>9</sup> Australia’s ‘globalist’ defence posture as demonstrated by its military involvement in Afghanistan and Iraq, nevertheless, has reaffirmed its image with Washington as one of the US’ most loyal allies. That image would only compound the shock effect, and intensify the potential for sharp recriminations, if American expectations of Australia joining a future Taiwan defence effort proved to be unfounded (Pan 2006: 442; Kelton 2006).

The US is not Australia’s only source of pressure when formulating its Taiwan policy. Both Taiwanese and Chinese government officials have exerted leverage to influence Canberra. In October 2004, Taiwan’s Deputy Minister of National Defense, Michael Tsai, proposed an ‘Asia–Pacific security cooperation mechanism’ to preserve a regional balance against growing Chinese power (Channel News Asia 2004). The Australian government has politely ignored this proposal. Following the passage of China’s Taiwan anti-secession law in March 2005, the Chinese Foreign Ministry’s Director-General of North American and Oceanian Affairs, He Yafei, warned Australia to weigh very carefully the scope of its treaty alliance commitment with the US so as to exclude a Taiwan contingency coming under the ANZUS purview. This was a predictable reaction to Downer’s initial speculation that ANZUS did not necessarily apply to a future Taiwan.<sup>10</sup> Australia responded by noting that neither Australia nor the US had any intention of amending ANZUS (Kerin 2005). In the week following China’s passage of its anti-secession law, Downer, during a presentation given to the Japan Institute of International Affairs, urged China to ‘resolve the status questions of Taiwan through peaceful means and through negotiation and discussion. We don’t want to see that resolved through resort to military force’ (Downer 2005).

### *Northeast Asian geopolitics*

Workshop participants acknowledged that China’s rising economic power and the forces of globalisation have sensitised Australia’s policy-making community to the negative ramifications that a conflict over Taiwan or in Northeast Asia would have on the Australian economy and national security interests. As the widely cited ‘Flood report’ on the quality of Australian national intelligence capabilities recently observed, Northeast Asia provides ‘up to 35 per cent of Australia’s trade’ and ‘(c)onflict across the Taiwan Straits would have profound consequences’ (Australian Government 2004: 12). The Australian Department of Foreign Affairs and Trade’s (DFAT) trade statement for 2006 reported that China, Japan and South Korea comprise the top three markets for Australian resources and that Taiwan is also a key market. Australia’s goods and services exports to China rose by 41 per cent in 2005 and those to Taiwan by 32 per

cent. Northeast Asia constituted 41 per cent of Australian goods and services trade in 2005, dwarfing the 13 per cent flow to Europe, the next largest market (DFAT 2006: 14, 17–18).

Strategically, this core source of Australian national wealth could be disrupted by ‘security crises, debilitating rivalries, protracted tensions, or most seriously, military conflict ...’ (Tow, Trood with McRandle 2004: 23). In this regard the protracted security dilemma represented by the Taiwan Strait ranks as a major concern. As an integral part of the US allied global intelligence network, Australia has a vested interest in linking with Taiwan’s National Security Bureau’s signal intelligence base on Yangmingshan Mountain north of Taipei. This base, along with the Defence Signals Directorate station at Geraldton in Western Australia provides critical information on Chinese satellite communications and on telemetry from the People’s Liberation Army’s missile tests (Minnick 2003). As a maritime regional power, Australia is tracking what some analysts have labelled as China’s ‘two-island chain’ strategy (stretching from Japan to the Natuna Islands in Indonesia and eastward to the Carolines island chain in Micronesia). Australian geopolitical interests would be critically affected if a seaward version of China’s ‘great wall’ were ever to materialise because: (1) it could strategically dominate Australia’s own commercial sea lanes of communication and transport of commodities to Japan and the Korean peninsula; and (2) it could provide China with a ‘launching pad’ to compete with Japanese commercial and Australian strategic influence in the South Pacific (for background, see Holmes and Yoshihara 2005).

These concerns must be evaluated, however, in light of several caveats. First, Australia’s geostrategic position is very distant from that of Northeast Asia. Although China’s occupation of Taiwan would create a major regional security crisis, the proposition that Australia’s commercial lifelines would be *directly* severed by a Taiwan conflict is debatable. A ‘vast oceanic expanse’ separates the Oceanic subregion from the Northeast Asian industrial heartland, and Australian commercial shipping bound for Japan or South Korea ‘can and often does sail east of Taiwan or even east of the Philippines where the naval power of the United States (and Japan) will remain greater than that of China for decades’ (Noble 2005: 22).<sup>11</sup> In this context, a China preoccupied with occupying and controlling the Taiwan Strait would have little naval power to spare for extending any ‘great wall’ to more distant points in the wider Pacific where it would directly challenge US naval superiority.

Second, both China and Japan have much at stake in sustaining their growing bilateral economic relations. China’s establishment of naval bases or other substantial military interdiction capabilities in the East China Sea, if and when Taiwan were to be integrated into the Chinese mainland, would clearly send warning bells to Tokyo to strengthen its own naval and air support capabilities in ways that could only be detrimental to China’s own long-term security interests. A Taiwan military confrontation would undermine the unimpeded trade and resource flows within Northeast Asia that China views as critical for

its own economic growth and regional stability. Finally, Australia, even under a relatively conservative and highly pro-US government, has found it useful to conduct selective military relations with the PRC (including a joint naval exercise in the East China Sea during August 2004) and to participate actively with China in Asia–Pacific multilateral security initiatives as a means of encouraging the Chinese to adopt greater confidence-building measures and transparency on regional security issues. If managed cleverly, the policy areas of energy, commercial maritime security and transnational security should help preclude China from pursuing any ‘great wall strategy’ that could only result in unproductive and highly dangerous geopolitical confrontation. As one Taiwanese workshop participant concluded, Australia, China and Taiwan, along with other Pacific maritime powers, all have an interest in cultivating ‘good ocean governance’ throughout the Asia–Pacific. Successful collaboration on overcoming such functional challenges as piracy, smuggling and the covert movements of materials relevant to producing weapons of mass destruction and other contraband would enhance regional transparency and confidence-building in highly constructive ways. In such a context, encouraging Taiwan to facilitate such collaboration would appear to be a rational policy approach for all parties concerned.

#### *Alliance intensification*

Despite these considerations, Australia has clearly employed the classical geopolitical strategy of ‘hedging’ against rising Chinese power by formally strengthening its security ties with Japan via the March 2007 Joint Declaration on Security Cooperation.<sup>12</sup> Several workshop presentations argued that this should not be surprising given that Australia is intent on increasing its own regional leverage by applying ‘middle power diplomacy’ to its security relations in East Asia. Australia has also already developed substantial security relations with a Japanese democratic state during the post-Cold War era, a reality acknowledged by Howard (2007b) in justifying the Joint Declaration: ‘We have a lot in common. As nations we are both democracies. Japan has been a thriving democracy for 60 years and its contribution has been very, very significant indeed. The commitment to strengthen our cooperation on common strategic interests will flow out of the Joint Security Declaration’.

In striking this agreement, however, Canberra may well have risked impairing its long-standing dual track strategy of balancing its relations between China and the US.<sup>13</sup> Even with a possible change of Australian government toward the end of 2007, Australia will remain a sparsely populated if relatively well resourced maritime island power whose geopolitical orientation is more compatible with that of the US and Japan than with China. Within this framework, as a US National Defense University study has noted, Taiwan is the Pacific Basin’s version of Europe’s ‘Fulda Gap’. The study postulates that the

task of counterbalancing rising Chinese power is made easier by ‘having an independent Taiwan on poor terms with mainland China’ than one that is assimilated as part of China—that such assimilation ‘would put China astride the sea lines of communication of Japan and South Korea’ and make harder ‘the task of counterbalancing Chinese power and influence’ (Streusand 2002). If there is any strategic logic that complements the ideological motive of democracies uniting to deter a Chinese authoritarian state, it may be maintaining a maritime balancing component as the primary means to check Chinese land power.

Recent alliance intensification between Australia, Japan and the US appears to have been motivated more by ideology than by geopolitics. The Australia–Japan Joint Security Declaration was signed less than a month after Cheney visited Tokyo and Sydney for consultations with leaders of both allies. Signalling an intent to cast the pending Australian–Japanese document in ideological terms, Cheney observed that ‘The growing closeness among our three countries [Australia, Japan and the United States] sends an unmistakable message—that we are united in the cause of peace and freedom across the region’ (cited in Johnston 2007). As his host, Howard added that while Australia’s improvement of its foreign relations with China constituted one of his government’s ‘policy successes’ over the past decade, ‘we’ve always done it against background of being realistic about the nature of political society in that country. We have no illusions that China remains an authoritarian country’ (Howard 2007a).

If this logic prevails, it may work in Taiwan’s favour as a basis for incorporating that polity’s ongoing security as a tacit, but nonetheless key element for a comprehensive architecture of ‘Asia–Pacific democracies’. It may also, however, confirm Beijing’s fears that US-led alliance intensification and expansion in the region is an encirclement strategy. It can undermine whatever strategic transparency and confidence-building might yield with China. As one observer on Japanese politics and foreign policy has recently observed: ‘Enhanced [security] cooperation between the US, Japan, India and Australia without commensurate efforts to calm Chinese fears of encirclement—would be disastrous at this stage’ (Observing Japan blog 2007). An Australian workshop participant represented this problem somewhat differently but in no less relevant terms. Australia and Taiwan face ‘two different Chinas’ that are respectively threatening and benign toward regional security issues, competitive and cooperative with democratic states and self-confident about growing Chinese power while simultaneously feeling vulnerable to others’ apparent containment strategies. Engaging Beijing’s leadership in ways that are sensitive to Chinese interests without either confronting or acquiescing to those interests too readily is essential in dealing with rising Chinese power.

*Australia, Taiwan and regional multilateralism*

China's spectacular economic growth and its effect on Australian economic and politico-security ties with Taiwan commanded understandable attention in workshop discussions. Two key factors were discussed: (1) the comparative benefits to Australia of Australia–China and Australia–Taiwan trade; and (2) the future viability of the Asia Pacific Economic Cooperation (APEC) forum as the only major regional multilateral grouping in which both China and Taiwan are members. Although hardly generating consensus, arguments were advanced that the advantages of the Sino–Australian trade relationship for Australia tend to be overrated and that unless APEC rediscovers its purpose and credibility the gains realised by Taiwan in affiliating with it could become more diminished.

China has recently surpassed Japan to become Australia's biggest trading partner. Australian exports to China more than doubled from 2002–2007 while its imports from that Asian country grew over 70 per cent during the same time (Uren 2007a). Although Australia has experienced a trade deficit with China and with the rest of the world for over five years, economic analysts are not overly concerned because it is based on a marketing boom for Australian resources that is stimulating much higher trade volumes and creating new infrastructures that will 'deliver export growth decades into the future' (Uren 2007b). Australia's ongoing resource base will deliver a viable national economy more reliably over the mid-to-long term than if that country attempted to match other industrial powers' service and manufacturing sectors that are less endowed with natural resources. Taiwan was Australia's ninth largest trading partner during 2005–2006 and yielded a US\$2.6 billion surplus for Australia during that period. However, the overall Australia–Taiwan trade volume of just over US\$8 billion has been dwarfed during the past year by a Sino–Australian trade volume of A\$53 billion (approximately US\$43 billion), with Australian exports to China doubling over the past three years (Uren 2007a; Taipei Economic and Cultural Office in Australia 2007). Clearly Australia–Taiwan trade ties are healthy and growing, but equally evident is that China has arguably become Australia's most integral trading partner as the complementarities of those two countries' economies intensify.

Founded in 1989, APEC remains predominantly a regional economic grouping. It also involves a Taiwanese security component. APEC is one of the few regional institutions that allows Taiwanese membership but does so only on the basis that it participates as a 'regional economic entity' rather than as a distinct political entity or sovereign member-state. When the Association of Southeast Asian Nations (ASEAN) heads-of-state summit was initially convened at Seattle in 1993, the US and China agreed that Taiwan's 'nominal' head-of-state (the president of Taiwan) would not be allowed to attend the head-of-state meetings. Over the ensuing years, Taiwan has intermittently lobbied APEC states hosting the annual summit to revise the so-called 'Seattle mode' by

allowing either its president or legislative speaker to attend. Chinese pressure has always prevailed.<sup>14</sup>

Taiwan's APEC connection is significant in a regional security context in at least two ways. First, the APEC heads-of-state summit is the only regional forum where the national leaderships of the Asia–Pacific powers are able to interact directly and annually with each other on key strategic developments. In the case of Taiwan, however, the country hosting APEC would usually extend an invitation for the Taiwanese president to select a special envoy to attend on his behalf. This envoy cannot be 'too political' or represent a sensitive Taiwanese cabinet portfolio. On this basis, China tolerates Taiwanese representation at the annual APEC summit. To lose this representation would make it far more difficult for the US as Taiwan's major ally or Australia as one of the few major countries favourably disposed toward Taiwan beyond the trading sector, to support Taipei's strategic interests when the occasion arises.<sup>15</sup> Moreover, as APEC's agenda has broadened in recent years to incorporate security-related challenges and tasks, Taiwanese representatives have at least some 'tacit access' for input into these issues.

A second aspect of regional security and Taiwanese involvement flows from this reality. This access maximises Taiwan's image of being a member of the 'international community' and gives it a better chance to avoid future episodes of institutional isolation such as its exclusion from the World Health Organization (WHO) impeding its ability to fight the 2003 SARs epidemic.<sup>16</sup>

### **Australia, Taiwan and policy transparency**

Australian security experts remain divided on if, and specifically how, Australia might modify its long-standing strategic ambiguity policy toward Taiwan. Former Australian Deputy Secretary of Defence and current Director of the ANU's Strategic and Defence Studies Centre, Hugh White, has suggested that Australia, while not 'brokering' a new understanding between China and Taiwan, could use its strong relationship with China and the US to encourage both—but not mediate between—those two countries to establish a specific set of criteria or 'ground rules' within which a future conflict between them could be avoided. Australia's current posture is: 'Australia should not attempt to mediate negotiations over such an agreement between the US and China. They are quite capable of negotiating such a deal without our intrusion . . . we should simply advocate a deal with both sides' (White 2004: 14). Australia, White asserts, is not completely without leverage in such circumstances. It would be called upon to fight alongside the US if a future Taiwan Strait crisis exploded into conflict. It is seen as an influential American ally by a China that may well be looking for face-saving approaches to crisis resolution if the Americans prove more resolute than anticipated in defending Taiwanese democracy.

In this context, transparency has become a central issue concerning Australia's Taiwan policy. Canberra's policy equanimity has recently been questioned by both Chinese and Taiwanese observers.<sup>17</sup> It must be questioned how Australian policy-makers expect to generate warmer political relations with Beijing on the mere premise that such ties will evolve as a matter of course as long as Australia can profit from China's apparently unquenchable thirst for such commodities as coal, iron ore and uranium. Various critics have labelled Australia's current diplomatic approach to Asia as 'immature' and shortsighted, reflecting an underlying anti-Chinese bias at deeper levels of bilateral relations (as asserted by Clark 2007). Several Taiwanese workshop participants insisted that Australian policy is 'too soft' on China because Canberra seeks to gain economic advantages at the expense of undermining democracy and human rights.

The transparency challenge is not only confronting Australia but also Taiwan and China. At a recent conference on democratisation convened in Taipei, a former national security aide to Cheney related that Taiwanese President Chen Shui-bian's rhetoric (that appeared in public press reports rather than being communicated by normal diplomatic channels) about 'one country on each side' of the Taiwan Strait caught the Bush administration offguard. This occurred at a time when Washington was searching for ways to temper China's resistance to the US's pending invasion of Iraq. Yet the value of carefully tailored transparency was reportedly questioned by at least one prominent Taiwanese scholar who responded that 'sometimes "surprises" may be good. "If Taiwan's going to do something anyway because of some domestic [political] forces," then it is better not to communicate with the US to avoid embarrassment [to] both sides' (the exchange of remarks is reported in *Taiwan Headlines* 2007). This may be a candid observation about the linkages of domestic politics to foreign policy formulation. It is, however, hardly the basis for the confidence-building and transparency required for both continued official and public American support for Taiwan's position and for influencing Australian support.

Another problem with adopting any transparency formula relates to the degree one side trusts that the other will continue observing the ground rules. This concern particularly relates to China and its evident resort to a regional military build-up to induce greater compliance with its strategic interests. Former US Secretary of Defense Donald Rumsfeld's musings at the 2005 Shangri-la Dialogue in Singapore that China's strategic intentions for deploying increased levels of formidable military power in the region (including up to 1000 short-range ballistic missiles opposite Taiwan) are directly relevant to this problem (see Rumsfeld 2005). So too, however, are China's fears that Chen Shui-bian's government has been endeavouring to engineer Taiwan's ultimate 'secession' from China.<sup>18</sup> China's predictable response that questioning its right to deploy so many missiles across the Strait is 'meddling in its internal affairs' has failed to defuse the threat perceptions and the resulting security dilemma that such deployments precipitate. So too has Chinese pursuit of the axiom that

‘the best defence is a good offence’, asserting that the US is setting up a new regional containment network.

Ultimately, such countervailing perspectives can only be rectified by generating incentives for China and Taiwan to instill *détente* in their bilateral relations while the governments of both evolve in ways that may ultimately lead to a more permanent *modus vivendi*. In a widely discussed article, for example, Kenneth Lieberthal argued that a 20 or 30-year ‘breathing space’ to moderate the PRC’s prerogative to attack Taiwan in return for a Taiwanese commitment to not declare independence from China may be the best chance to avoiding military conflict (Lieberthal 2005). His article was undermined even before it was published just after China’s passage of its aforementioned anti-secession law and as visits to Beijing by Taiwanese opposition leaders Lien Chan (leader of Taiwan’s Kuomintang Party) and James Soong (leader of the People First Party) to Beijing for consultations with Chinese President Hu Jintao were taking place. While in China, both of these leaders reaffirmed their support of the alleged ‘1992 consensus’ (actually made up by Mainland Affairs Council Chairman Su Chi to describe cross-strait negotiations at the time as congenially as possible): there is only ‘one China’ but there are different interpretations of what constitutes one China, including those that maintain that it may not be completely synonymous with the PRC.<sup>19</sup> From China’s perspective, the one China principle excludes the legitimacy of any Taiwanese ‘secession’ from China. The positions of Taiwanese leaders vary but most (including President Chen) support the idea that the Taiwanese people have the right to self-determination and many insist that Taiwan is a separate, ‘de facto’ sovereign state. Lieberthal’s article concluded that given the complexities and vagaries of these positions, Taiwan, China and the US need to collectively ‘summon the courage to think creatively about how to prevent [conflict]’ (Lieberthal 2005: 63). As time has passed, however, the apparent diplomatic momentum generated by the Lien and Soong visits appeared to weaken. Domestic politics in Taiwan have impaired its government’s capacity to project a cohesive approach commensurate to Lieberthal’s vision for crisis resolution.

It may fall to Bush’s immediate successor to incorporate the Taiwan situation in the broader context of reassessing overall US regional security approaches in Asia. In Australia, either the Howard government or its successor is likely to follow suit. With its emphasis on negotiations and transparency, an updated version of Lieberthal’s ‘breathing space’ approach may be an integral part of any such strategic reassessment undertaken by Washington and Canberra. Yet it is only one of several policy options that may be pursued as the future of geopolitics in the Taiwan Strait unfolds.

Another Australia–Taiwan bilateral relationship issue with regional security implications requires effective communication and understanding. South Pacific island states have traditionally been viewed as a strategic backwater by the international system’s major powers. Geographically remote, largely impoverished and climatically challenged, their economic and socio-political

vulnerability bodes ill for most of them to realise stability and prosperity. The island states' very weakness, however, is strategically significant for Australia because collectively they form a nearby 'arc of crisis' that if unaddressed, could lead to political anarchy and corruption—breeding grounds for chronic economic dependency, widespread political extremism or terrorism and a proliferation of failed states.

Sino–Taiwanese competition for diplomatic influence in the South Pacific has intensified. China has normalised relations with eight South Pacific countries; Taiwan is recognised by six. This partly reflects a growing Asian-wide interest in the region's resources (mainly timber, fish and minerals) but is more concerned with Taiwan's effort to negate Chinese efforts to sway those few states (some two dozen of them) around the world that still conduct formal diplomatic relations with Taiwan to shift allegiance to the PRC. Australia's concern is that Taiwan may be engaging in what one observer terms a 'diplomatic chess game' in the South Pacific against China without a credible long-term strategy on how it will facilitate a stable long-term outcome for the South Pacific microstates through economic investments and assistance (Dobell 2007).

Recent turbulence in Solomon Islands and Fiji (April 2006) has highlighted the risks of major outside powers such as Australia, China and Taiwan failing to facilitate South Pacific state-building in such critical areas as governance and finance. Both China's and Taiwan's involvement often appears to Australian policy-makers as conducive to sharply partisan and highly divisive outcomes in the South Pacific's fragile politics and societies. Answering the challenge of how to jointly coordinate future development strategies, notwithstanding the geopolitics that may underwrite the motivations for doing so, will be imperative for all external powers concerned about the South Pacific's long-term stability and prosperity. Evidence of recent progress on this issue has surfaced, however, as Australia coordinated disaster relief programs with Taiwan and other donors in the aftermath of a major tsunami devastating part of Solomon Islands in early April 2007.

### **Conclusion: weighing future policy options**

Several conclusions, considered by workshop participants, may be derived from the above analysis. First, Australia must assume a more active and consistent diplomatic role in facilitating creative approaches to conflict avoidance in the Taiwan Strait to ensure that it is never forced to confront the policy nightmare of having to 'choose' between China and the US in any future Taiwan crisis. Merely insisting, as Howard has done, that conflict between the US and China over Taiwan is 'not inevitable' constitutes little more than wishful thinking from the sidelines. As middle-sized powers in the Asia–Pacific, Australia and Taiwan pursue in-depth, albeit informal dialogue on such arms control issues as missile

defence and other strategic issues affecting Northeast Asian stability. This should be conducted in the spirit of cultivating a ‘cooperative China’ that, while confident that ‘history is on its side’, will nevertheless pursue interests and policies that maximise prospects of avoiding war in the Taiwan Strait.

Australia’s currently lucrative economic relationships with both China and Taiwan will hopefully remain sustainable indefinitely in tandem with the remarkable intimacy Howard has established with the US. A proactive, forward-thinking Australian posture could, in that dual context, be constructive for stabilising relations amongst all these parties. Such a posture would also overcome intermittent perceptions (justifiable or not) that Australia’s current policy planning and behaviour is prone to either inconsistency or to intimidation. Downer’s extemporaneous interpretation of ANZUS commitments during his Beijing visit in August 2004 which upset Washington exemplifies the first concern. China’s subsequent efforts to divide the brief but significantly visible divisions that emanated from this statement illuminate the second impression.

Australia’s cultivation of a consistent and, when required, an independent regional strategic posture as a self-confident middle power would be welcomed by China, most ASEAN states and South Korea. Some progress in this regard has been clearly achieved as Australia’s recent accession to ASEAN’s Treaty of Amity and Cooperation and participation in the nascent East Asia Summit architecture demonstrates. Over time, Australian policy independence and clarity will give it a stronger basis to discuss the Taiwan issue with China without fear that it will be regarded merely as an American proxy or, conversely, that it can be exploited by Chinese ‘divide and rule’ tactics to soften the ANZUS alliance by targeting a smaller and less confident ally. A diplomatically self-confident Australia will be able to characterise its strategic behaviour as one that fulfils its own national interests rather than as a mere appendage of revived containment architecture in the Asia–Pacific. Such behaviour is consonant with Taiwan’s own long-term interests because an Australia regarded by other regional powers as less dependent on US strategic commitments for its own security would accrue greater influence with China. Such an Australia could more effectively reinforce the positions of those parties on both sides of the Strait and in Washington who see the pursuit of Lieberthal’s breathing space formula as potentially useful.

A further, perhaps minor but positive, policy option is for Australia to seek innovative ways of broadening its ‘de facto’—but not ‘de jure’—bilateral relationships with Taiwan and China beyond the current, trade-dominated dimension. Educational and cultural ties have been cultivated but only within narrow limits. The changing nature of global security politics—and especially the rising importance of human security—provides Australia and Taiwan with opportunities for cooperation in areas that previously were ignored by diplomats and policy planners. Given sufficient time and cultivation, the Australia–China and Australia–Taiwan bilateral relationships might indirectly contribute to better China–Taiwan links by encouraging Chinese elites and

diplomats to become more sensitive to the cultural and socioeconomic issues involved in human security contingencies such as disaster relief, pandemic control or widespread financial disruptions.

Ultimately, it must be acknowledged that future Australia–Taiwan relations will be shaped by the future directions of Chinese behaviour. There is no immediate or easy alternative to Taiwan and its friends remaining vigilant against the prospect of China attempting to resolve its ‘Taiwan problem’ by the unacceptable use of force. Time, however, may yet work to modify China’s own socio-political system as the pace of regional and international change accelerates in line with its booming economy. There have been past, all-too-brief, episodes of Chinese flirtations with political liberalisation under communist rule. These have ended in disappointment for those hoping that democracy would take hold as more authoritarian forces have reimposed their will.<sup>20</sup> Generational change, however, cannot be staved off forever. Ongoing accounts of the Chinese Communist Party’s internal debates over how to calibrate economic growth and political liberalism with the continuation of one-party rule are indicative of the escalating challenges of governance and policy formulation which China’s leaders must confront in the coming years (Kahn 2007). In this situation, creative cooperation, combined with a resolute but calculated sense of constraint, in Australia–Taiwan bilateral relations, together with Australian effectiveness in moderating the US–China relationship in niche areas, may yield the best long-term dividends for the mutual benefit of all parties concerned.

## Notes

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1. This scenario was endorsed by a strong majority of international business, political and academic leaders attending the 2007 World Economic Forum convened in Davos, Switzerland. See Bennhold and Alderman (2007).
2. To their credit, some independent Australian analysts have been candid in acknowledging their country’s diplomatic and strategic limitations in this context and have offered insights for how these might be overcome with intelligent policy application. See, for example, Hugh White (2004). Other works such as Monk (2005) have been less realistic, assuming that the Taiwan issue can be resolved by Australia ‘enlightening’ China to the advantages of conceding sovereignty to Taiwan along the same lines as China was persuaded to adopt a market economy model after Mao Zedong’s passing. But the credibility of the PRC’s own government would be immensely undercut by its assumption of such a posture and the probability of it doing so is quite remote.
3. The Chinese position is reviewed by Zou (2005). This article contains a text of the law in an appendix.
4. The Cheney proposal is covered by Shanahan (2007). Australian Foreign Minister Alexander Downer insisted in an interview with the *Australian Financial Review* on 4 April 2007, however, that ‘... there is not going to be some sort of quadripartite security alliance’. The quotation is extracted from *TMC Net on the Web*, <[www.tmcnet.com/submit-australia-rules-out-security-agreement-with-us-japan-/2007/04/03/2461891.htm](http://www.tmcnet.com/submit-australia-rules-out-security-agreement-with-us-japan-/2007/04/03/2461891.htm)>. On why China is entitled to view the ongoing hardening of Australia–Japan security ties apprehensively, see *Economist* (2007). It should be noted that India’s naval exercise agenda for April 2007

- included bilateral manoeuvres conducted with Chinese, Russian and Vietnamese naval elements as well as with US and Japanese elements. See Aiyar (2007).
5. As the respected Australian Department of Foreign Affairs and Trade official Penny Wensley (1991: 188–9) has noted, ‘the Australian government’s “one China” policy does not preclude contacts with Taiwan of a commercial or an unofficial nature . . . It is important to note also that the PRC itself has stated that while it is opposed to official or semi-official contacts with Taiwan which can be seen as imparting or conferring recognition of the Taiwan authorities as a national government, it has no objection to trade, commercial, economic or other unofficial contacts.’
  6. The notion of ‘strategic ambiguity’ is complex and has oscillated over the years relative to how successive US governments have interpreted US strategic commitments to Taiwan under the auspices of the Taiwan Relations Act. For background, see Goldstein and Schriver (2001), and Lin (1996). The Australian position is ably assessed by Pinsker (2003).
  7. Richard Armitage initially advanced this view during a visit to Australia in 1999 before becoming Deputy Secretary of State in the George W. Bush administration. He returned to Australia in August 2001 and in response to a question about a ‘hypothetical’ Sino–US war over Taiwan made the following point: ‘I can’t imagine great events in our time taking place without an Australian participation at some level. Now, if the Australian Government made a decision—in the terrible event the United States was involved in a conflict—that it was not in their interest to participate at some level, then we would have to take a look at where we are after the dust had settled. But as I say, I think the overwhelming view from the United States is that it is hard to imagine a military action of any sort here by the United States, which wouldn’t, in large measure, also be in Australia’s interest’. See US Diplomatic Mission to Australia (2001).
  8. The text of the ANZUS Treaty can be found on <[www.australianpolitics.com/foreign/anzus/anzus-treaty.shtml](http://www.australianpolitics.com/foreign/anzus/anzus-treaty.shtml)>.
  9. Robert Sutter interviewed a number of Australian analysts on the issue during an extensive visit to Australia in June 2004.
  10. In March 2005, both Chinese Foreign Ministry spokesperson Liu Jianchao and He Yafei, in reference to Taiwan, warned Australia not to apply the ANZUS alliance to the ‘internal sovereign affairs of China’. See ABC News Online (2005) and *Age* (2005).
  11. Also see Kapila (2007) who notes that ‘. . . Japan and Australia share no geographical contiguity and the vast oceanic expanse separates them, lying as they are at the Northern and Southern fringe of the Pacific Ocean’.
  12. For background on hedging strategy and how it applies to China, see Medeiros (2005–06) and Foot (2006).
  13. In recent analysis, Dan Blumenthal (2006), a highly respected analyst with the American Enterprise Institute, foreshadowed this development by noting that ‘Canberra increasingly sees its economic future in China, and has greatly benefited from China’s voracious appetite for natural resources. On the other hand, Australia’s long-standing security priority has been to prevent the rise of Chinese hegemony. If China’s Australian charm offensive wears off, Canberra could pivot very quickly to a more hedged China policy. It certainly has the infrastructure in place to do so, given its close relations with both Japan and the United States.’
  14. A comprehensive compendium of Taiwan’s positions on APEC, including its representation status, is found on the Taiwan government’s website, Taiwan’s Participation in APEC—Significance, Results, and Contributions, <<http://english.www.gov.tw/APEC/index.jsp?catid=137>>. For a Chinese account of the ‘Seattle mode’ decision, see *People’s Daily Online* (2001).
  15. Allan Gyngell and Malcolm Cook (2005: 9–10) have observed that ‘It would be deeply unsettling for the region to lose that capacity at a time of increasing competition between the United States and China, and between China and Japan. The major powers can always

- discuss these problems bilaterally, of course, but it is sometimes easier for them to talk to each other in a broader multilateral forum than to depend on the formality of bilateral exchanges, which often become harder to arrange at the very time when they are most needed . . . There is value, too, in the Chinese economies of Taiwan and Hong Kong—both key parts of the regional economy—being able to contribute to dialogue and debate about significant regional issues.’
16. In a recent poll, 95 per cent of Taiwanese respondents favoured Taiwan’s entry into WHO under the name ‘Taiwan’. See Wen (2007).
  17. Departing Chinese Ambassador to Australia, Fu Ying, reportedly raised concerns with the Australian government several weeks prior to the 13 March 2007 signing of the Australia–Japan Joint Declaration on Security Cooperation about the agreement’s ‘lack of transparency’. See Hawthorne (2007). It should be noted, however, that Fu (2005) had previously praised Australia for its ‘clear-cut position’ on the one China issue. Taiwanese officials have recently expressed concerns about Australian uranium sales to China, questioning whether ‘short-term interests’ have captivated Australian policy planners at the expense of long-term concerns about Chinese military power. See Ko (2006).
  18. Exemplifying this apprehension was Vice-Minister of the Taiwan Affairs Office of the State Council Wang Zaixi’s observation in November 2003 that ‘Chen Shui-bian’s extreme push for independence is crossing Beijing’s red line and runs the risk of triggering a war between the island and mainland.’ See *People’s Daily Online* (2003).
  19. In February 2006 Su Chi admitted that he had made up the term ‘1992 consensus’ in 2000 to describe the outcome of a key cross-straits negotiating session conducted in Hong Kong in November 1992 so as to sustain momentum for the cross-straits talks after the DPP took over government from the Kuomintang Party during the latter year. See Shih (2006).
  20. However, successive disappointments in the West over China’s seemingly intractable capacity to sustain authoritarian political rule in the face of such developments must be acknowledged. See Mann (2007).

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