

## **Bluffing their way into crisis**

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Over the next few months, as Asia's leaders gather for their annual round of summits, we are going to hear a lot about the South China Sea. Australia doesn't care who owns the uninhabitable rocks and reefs that dot these waters, but we have a huge stake in an edgy game of double bluff that is playing out there.

The issue no longer concerns the rocks themselves, or even the oil and gas that might lie around them. It is about the growing rivalry between America and China over who exercises power in Asia. Unless both countries are very careful, a small incident in the Spratly Islands could shatter the US-China relationship, plunge Asia into a major crisis, and destroy the foundations of Australia's foreign policy.

Disputes over the Spratlys and other fly specks in the South China Sea have been around for decades, but they have taken a new turn since 2009, when China, after years of restraint, began to push its claims much more assertively. It started to describe its claim to almost the whole area as a "core national interest" and to more vigorously enforce those claims, especially against Vietnam and the Philippines.

This has not been cost free for China. Its carefully cultivated image of a benevolent friend of south-east Asia has been badly dented. Why has China done it? Unfortunately, the most plausible answer is the most worrying — that the Chinese now feel strong enough to throw their weight around. Assertiveness in the South China Sea is only one sign of this. Since the global financial crisis, China has become notably bolder on many issues, and especially so on issues of maritime power in the western Pacific.

This therefore seems a direct and deliberate challenge to America's position as the primary maritime power in Asia. That is certainly how Washington sees it. But it is a risky gambit, because a conflict with America would be a disaster for China. So Beijing presumably believes that America will back off and allow China to assert its claims to regional primacy. The trouble is that Washington has called their bluff.

Since last year, the US has taken clear steps to counter China's challenge by stepping up its support for Vietnam and the Philippines. Hillary Clinton declared in Hanoi that America has "national interests" in the South China Sea. Other officials have reaffirmed US obligations to defend Philippine territory under their defence alliance, and the US Navy has conducted high-profile exercises in the area. All this has sent a clear and welcome message that Washington will support Hanoi and Manila in standing up to Beijing. America's stocks in south-east Asia have climbed as China's have dived.

This all sounds good, but what happens next? This is not at all clear. The problem is less that America cannot afford a conflict with China and more that China can afford one with America. There is a big element of bluff in America's position, as well as China's. What if China calls America's bluff, just as America has called China's?

In fact this seems to be exactly what is happening. Just over the last couple of months China has become even more forceful in asserting its claims over disputed waters against Vietnam, for example, twice cutting the seismic cables of Vietnamese survey ships.

It is all too easy to imagine where this leads. In the next incident, Vietnam responds by attacking and sinking a Chinese patrol boat, China responds by sinking a Vietnamese ship, and as escalation looms Vietnam asks America for support.

What does America do then? If it does no more than utter stern diplomatic warnings, Washington's bluff has been called and its place as Asia's dominant naval power takes a major knock. Its stocks in south-east Asia will plummet again, and China gets a big win. But if it offers Vietnam material help —

especially if it sends ships of its own — it runs a major risk of being drawn into a serious conflict with China.

And so do we. Recently, without much publicity, Australia and Japan participated in a combined naval exercise with the US in the South China Sea. The exercise itself was very small, but it was quite unprecedented and hence the message it sent was very powerful. The message was that America's closest allies in Asia support its policy of push-back against China. So, if China pushes back in its turn, we can be certain that Americans will seek and expect Australia to be there to support them if and when the shooting starts.

Of course we hope it will not come to that. But already the US and China have got themselves to the point that neither side can step back without appearing to lose out to the other. In these situations it is terrifyingly easy for both to be drawn into a full-scale confrontation that would be a disaster for everyone.

So what should Australia be doing? In the short term, we need to try to persuade both sides to back off without trying to score a win over the other. Neither Washington nor Beijing will want to hear this message, and by itself Australia cannot do much to persuade them, but we do not have to work alone. Our interests in avoiding a US-China war are shared by all our Asian neighbours. Marshalling the collective weight of Asia's middle powers to persuade both sides to cool off and step back calls for the kind of "activist middle power diplomacy" that Kevin Rudd is always talking about. And with the Asian leaders meeting over the next few months, now is the time to do it.

In the long term, we will avoid endless replays of this kind of danger if the US and China can work out a new order in Asia. America must learn to acknowledge and accommodate China's growing power, and China must accept a continuing and central role for America. Otherwise the Asian Century will be a very dark time indeed.

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