

The 2012 Vernon Parker Oration

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It's an honour to have been invited to deliver the 2012 Vernon Parker Oration.

Vernon Parker deserves to be remembered in this way.

He is not only responsible for the establishment of the Australian Naval Institute.

His career is a testament to the trajectory and proud traditions of the Royal Australian Navy.

He began with the Navy as a Cadet Midshipman in 1940, and was sent to serve in the Royal Navy's campaign against the German navy in the North Atlantic.

In the 1950s he trained in the Indonesian language, and served as Australian Naval Attache in Jakarta during the difficult years of the Confrontation, impressing diplomats and colleagues with his tact, firmness and political sensitivity.

It strikes me as rather odd that someone as accomplished as Vernon Parker remains virtually unknown in broader Australian society.

I

Australia is an island continent washed by three of the world's largest oceans, and to its north by an extended maritime archipelago.

Its non-indigenous population all arrived having crossed the seas that wash its coasts.

It depends on trade with the outside world for its prosperity – this year Australia's trade dependence, or the proportion of its GDP dependent on trade, will be a substantial 38%.

And yet Australia has no deep maritime tradition at the core of its national culture.

Our national anthem concentrates heavily on Australia's land – abounding with nature's gifts, of a beauty rich and rare, with golden soil and wealth for toil, and boundless plains to share.

The sea gets all of two mentions – our home is girt by it; and we're happy to share with those who've come across it.

In popular culture also, we think of the bush rather than the sea.

The military traditions we celebrate tend to be those of the army rather than the navy.

This is odd, considering that the cultures we've come from – Britain – has a rich and deep maritime tradition at its core.

For the British, the sea is central to their sense of self.

Britons came to see themselves as a uniquely talented seafaring people.

From the Armada to Trafalgar to the Falklands, British naval prowess was taken as a sign of a natural maritime superiority, of God's sign that the British were a people chosen to take stewardship of the oceans.

When Kipling wrote of the sea he evoked a deep yearning of the British soul:

Who hath desired the sea? – the sight of salt water unbounded –

*The heave and the halt and the hurl and the crash of the comber
windhounded?*

As Britain constructed its maritime empire, it believed that this was an empire unlike any that had existed before.

Whereas land-based empires are authoritarian, Britain's was maritime, free, Protestant, and commercial.

Despite the fact that modern Australia was founded as an act of maritime strategy, and so much of our history has been shaped by sudden shifts in maritime power, Australia has not crafted a strong maritime culture at the core of its sense of self.

We've not produced a Joseph Conrad or a Herman Melville; an Australian writer who has told us maritime stories about ourselves as a country in a way that has shaped our sense of who we are.

And I worry that without a well developed maritime imagination, Australia will struggle to comprehend the challenges it will face in the coming decades.

II

Just last week, we were presented with a crystal clear vision of the future of our maritime environment when my Lowy Institute colleague Hugh White laid out this challenge in his inimitably clear and elegant prose in a new book, *The China Choice*.

Hugh describes the rising power of China, and the dilemma this presents to the United States and its allies in the Pacific.

He argues that the growth of China's military and commercial power poses a direct challenge to the easy predominance the United States has enjoyed in Asia and the Pacific.

This is a challenge of a different order than that of the Soviet Union, which could never compete with the United States in the economic realm.

Hugh argues that the United States is therefore faced with three choices: it can either choose to confront China and try to see off its challenge, or it can withdraw and leave the field to Beijing, or it can negotiate a power sharing deal with China in the Pacific.

Unsurprisingly, *The China Choice* has touched off furious debate within Australia and beyond, particularly in the United States.

In a manner that must have his publishers licking their lips, Hugh has managed to divide foreign policy thinkers within Australia's political parties.

Launching the *China Choice* at the Lowy Institute last week, former Prime Minister Paul Keating said,

“For my own part, I have long held the view that the future of Asian stability cannot be cast by a non-Asian power – especially by the application of US military force.”

Just three days later, from the same lectern, Defence Minister Stephen Smith disagreed with his old boss, saying

“In Australia’s view, the United States has underwritten stability in the Asia-Pacific for more than the past half century and will continue to be the single most important strategic actor in our region for the foreseeable future, both in its own right and through its network of Alliances and security relationships, including with Australia”

Here is a dilemma that goes to the very heart of Australia’s strategic and foreign policy.

It is a divide that is deep and passionate.

On the one side are those who argue that the answer to the challenge of a rising China is to invest in maintaining the US alliance system’s predominance in Asia.

Maintaining an unchallengeable position of strength will make it prohibitively costly for any rising Asian power with aspirations to regional leadership.

On the other hand, any sign of a weakening or disinvestment in the US alliance system will provide great temptation for regional powers to fill the vacuum, ushering in a period of debilitating power rivalries in Asia.

The stability and certainty provided by a robust US alliance system will ensure continued prosperity, a condition that will encourage potential challengers for regional dominance to accept the continuity of Asia’s security order.

On the other side are those who argue that confronting a rising China will lock it into an antagonistic confrontation with the US and its allies.

China must be worked with, rather than against, they argue.

It must be given a stake in regional norms and institutions, and accorded space to expand into.

A China with a stake in the region will see the most powerful country in Asia with a vested interest in the region’s stability.

Between these two is a third option, a hedging strategy, involving the judicious combination of alliances and regional institutions.

By investing in the alliance system, and thus raising the costs to a challenger, the United States and its allies can deter China from mounting a serious challenge to the status quo.

The counterpart to this “hard” balancing is “soft” engagement through regional institutions, in which the deeper engagement of China will help socialize Beijing into an acceptance of the status quo.

The rationale of hedging is to soften the confrontational aspect of hard balancing, while closing off China’s other options to being socialized through regional institutions.

These are clear policy options, and they cover a wide gamut of behaviours and suggestions.

I can’t think of another major strategic conundrum that has attracted such stark and diverging policy solutions.

Each of them – predominance, accommodation, or hedging – carries within it a clear implication that the other options would be catastrophically mistaken.

The advocates of predominance argue that even the slightest suggestion of ceding ground to China, as advocates of accommodation and hedging suggest, will simultaneously dishearten allies and encourage Beijing to increase its demands.

Advocates of accommodation argue that a predominance strategy or a hedging strategy will socialize an antagonistic China.

Hedging theorists are convinced that predominance without socialization will antagonize a powerful foe; and socialization without strength will open Asia’s weak institutions open to manipulation by Beijing.

Despite these deep disagreements, there is one thing that all of these options share: a belief that powerful countries such as China and the United States will respond rationally to the incentives they are presented with.

The predominance strategy is based on an assumption that countries will always respond to overwhelming military superiority by backing down and playing by the rules.

The accommodation strategy assumes that countries will respond responsibly and with gratitude when others make space for them and show them respect.

Hedging assumes that a complex mix of superiority and accommodation will channel the foreign policy of a rising state down a channel of acceptance and then investment in the status quo.

These seem to me to be very momentous bets, particularly given that even a cursory reading of international history suggests that states do not always respond rationally to the incentives they face.

Indeed, it's not at all hard to think of countries that have acted wildly irrationally, with major consequences for all concerned.

The reason, of course is that strategy and foreign policy are the products of politics, and politics can be a deeply irrational process.

It was that greatest of all naval strategists, Alfred Thayer Mahan, who once wrote,

To understand in the best sense, it is necessary not only to recognize the interests of a nation, but to enter as well into its feelings... The sentiment of a people is the most energetic element in national action. Even when material interests are the original exciting cause, it is the sentiment to which they give rise, the moral tone which emotion takes, that constitutes the greater force. Whatever individual rulers may do, masses of men are aroused to effective action – other than spasmodic – only by the sense of wrong done, or of right to be vindicated.

If Mahan is right – and I think he indeed is – the two great protagonists in the Pacific are unlikely to respond to each other like chess players or that great fiction, homo economicus.

I believe there is a great deal of evidence that both China and the United States are already acting according to deep, historically ingrained impulses and images of the Pacific.

Their visions of how the Pacific Ocean has affected them, shaped them, sustained and threatened them, have become fundamental to the countries that America and China are today, and will be into the future.

These historical-cultural experiences mean that Washington and Beijing don't approach their strategies in the Pacific anew every day; but that their understandings of what is possible, desirable and unacceptable in the Pacific are deeply rooted in their senses of self.

IV

Both China and America began as small civilizations a long way from their respective Pacific coasts, and for each country, the incorporation of its Pacific coast into its expanding terrestrial empire had a profound impact on it.

Chinese civilization began on the Huang Ho plain and developed a terrestrial outlook: agrarian, of Han ethnicity, based on a Confucian conception of harmony, and threatened mainly from its landward side.

Southern coastal China was a different world: commercially oriented; dynamic, maritime, and controlled by the southern Yue people.

Unlike terrestrial China, its rice and maritime food production were not subject to government monopoly.

It was an outwardly-focused and open society, with trading and settler networks spanning the Nanhai, or South China Sea, as intense and dynamic as those spanning the Mediterranean on the other side of the world.

The southern expansion of the Han people incorporated the Pacific coast into the Chinese empire with the decisive defeat of the southern Yue kingdom by the Han dynasty in the first century BC.

Here imperial China found a cosmopolitan, maritime society able to supply its thirst for luxury goods, spices and religious objects that could only be brought in by trade.

But China was not completely won over by its Pacific coast.

The old terrestrial, harmony-obsessed China resisted the lure of maritime commerce, nurturing prejudices against merchants, the Yue people and the overseas Chinese.

Surviving texts show a vigorous debate among court officials over the relative merits of an agrarian versus a commercial society.

China's divided soul gained geographical expression in 1127, when the Sung dynasty fled south of the Yangzi and established its capital at Hangzhou, a city facing the sea.

As they waged war against the Mongol invaders, the Sung gained great strength and sustenance from the sea, and it was not until the Mongols mastered the crafts of seamanship and maritime strategy that they were able to defeat the Sung.

China's maritime power reached its apogee under the Mongol Yuan Empire, which sent invasion fleets against Japan and Java, and its successor the Ming Empire, which conducted seven trade and tribute missions as far as East Africa, under the eunuch admiral Zheng He.

But the expeditions were halted, and commerce and shipbuilding banned suddenly in 1433.

After 4 ½ centuries as the world's leading maritime power, China turned away from the sea for the next 5 ½ centuries.

The underlying reason for the sudden and enduring urge to shut China off from the sea was a resurgence of the spirit of terrestrial China.

A surge of neo-Confucianism in the imperial capital coincided with a push by scholar-officials against what they saw as the corruption of commerce and the inordinate power of the imperial eunuchs.

The neo-Confucians believed that openness and commerce were profoundly disturbing to the harmony – and therefore the stability – of the Empire.

But simply shutting out the sea did not eclipse maritime China.

Commerce continued through smuggling and piracy, and rebels against the Ming and Qing Empires made use of the sea and its islands for refuge and as power bases.

But perhaps the most dangerous maritime threat to imperial China appeared in the form of insistent European traders who arrived on China's southern coast and refused to leave.

The Pacific became a source of instability, challenge and danger, as each trading post contained the seeds of corruption, unrest and cultural challenge.

But the more the westerners demanded access for their merchants and missionaries, the more the Qing dynasty drew inwards.

Ultimately humiliation and defeat came from the sea – from the Opium Wars to the Japanese invasion to having to tolerate the Guomindang on Taiwan.

And so Deng Xiaoping's decision to open China to the sea and the world – significantly through special economic zones along China's Pacific coast – must rank as bravery of millennial proportions; the overturning of 5 ½ centuries of the dominance of terrestrial China.

But China's reform and opening should not be read as a clear and final victory of maritime China over terrestrial China.

Embracing its maritime soul has made China wealthy and powerful, but at the cost of rising anxiety about the instability that comes from openness.

Whether it's fluctuating commodity prices, or the threat of hot money flows, or the influence of new social media on the young, its very openness places China in a perpetual state of existential anxiety.

Even though it has been enriching, the sea is still a source of threat and instability, with the memories of the collapse and humiliation of China from the ocean still raw and real.

V

For a young and vigorous America, the Pacific symbolized something very different: a boundless frontier in which America would consolidate its true nature: entrepreneurial, egalitarian, democratic, spiritually uplifting.

America entered the Pacific with a commercial and missionary zeal it showed in no other part of the world.

Whereas America's Atlantic face saw America as an expression of the world, its Pacific face saw America as remaking the world

In the Pacific, America's Christian and commercial zeal were fused; the vision of ancient societies, oppressed by oriental despots and pagan superstitions, and newly threatened by European colonial monopolies, aroused a righteous, crusading spirit in American breasts.

The westward-pushing spirit of America symbolized the need to escape old aristocracies of power and old monopolies of finance capital, to forge an egalitarian, intensely democratic, enterprising spirit in America.

For Americans, and Republicans particularly, the Pacific became an expression of all that was pure and vital in the American character.

President Theodore Roosevelt said in 1903:

“The Mediterranean era died with the discovery of America; the Atlantic era is now at the height of its development and must soon exhaust the resources at its command; the Pacific era is destined to be the greatest of all, is just at its dawn”

The crusading American spirit was, on the one hand, provoked by Emperors in China, Japan, and Korea, who tried to seal off their kingdoms from the outside world.

Commodore Matthew Perry, whose Black Ships sailed into Tokyo Bay in 1853 to open up Japan to American trade, gave this sentiment full voice when he said:

“I have a full conviction that the seclusion policy of the nations of Eastern Asia is not according to God's plan of mercy to these peoples, and their governments must change them through fear or force, that the people may be free.”

The other great provocation to the Pacific spirit of America was European colonialists that were trying to carve up Asia and the Pacific into specific trading blocs.

To Americans of the 19th century, colonialism of this sort evoked the trading monopolies that had provoked the founding fathers to revolt: they smacked of a business aristocracy living off unearned income.

Ultimately the expression of America's vision in the Pacific was Secretary of State John Hay's "Open Door" notes on China, insisting that all outside powers preserve China's territorial integrity and the equality of access of all to the China market.

It was imperial Japan's contravention of the Open Door principles, in carving out an exclusive empire in Korea, Taiwan, Manchuria and northern China that aroused American hostility, and ultimately led to the Pacific War.

To this mindset, the Communist victory in China came as a devastating blow: the ultimate defeat of America's vision to transform Asia in its own democratic, Christian, commercial and modern image.

Hence the fury of the Republican Party over the "loss" of China, and the subsequent McCarthy inquiry, and the bitter wars in Korea and Vietnam.

The Pacific for this America was, and still is, a symbol of its pure soul: a free and boundless frontier; the symbol of a dynamic future.

VI

A glance at history shows that China and America have very different experiences of the Pacific; and the Pacific has shaped their national souls in very different ways.

Geography has always shaped national cultures; so it should not surprise us that oceanography can have the same effect.

China approaches the Pacific with not a small amount of trepidation, with memories of the threats and instability that come from the sea not far from its mind.

America's Pacific is a different ocean: a place where the first great fortunes were made between the Revolution and the War of 1812; where it played a consistent and active role in pursuit of its ideals of open oceans and open commerce; where its navy single-handedly shaped the most productive and dynamic regional order ever seen.

You can see these opposed visions of the Pacific in contention in the South China Sea today.

China's objectives are territorial and exclusive; its offer of freedom of passage through the waters it claims are based on restrictive rules and Beijing's express consent.

The United States has become involved in recent years in support of the principle of freedom of navigation, based on a conception that the South China Sea is a maritime commons, controlled by no-one but open to use by all.

To my mind, the South China Sea represents the broader contest for the Pacific writ small; a contest between two contrasting visions for the Pacific.

This means that the contest between the United States and China has about it the quality of a dialogue of the deaf, where each side fails to acknowledge or even understand just how profoundly the other's frame of reference differs from its own.

Unlike during the Cold War, when the aims of the United States and Soviet Union were largely a mirror image, the contest for the Pacific has Washington and Beijing playing different games, with different objectives and different rules, on the same playing field.

It is this situation that is particularly dangerous.

It means that a common language, a common set of understandings, and a common set of procedures for managing crisis will be very difficult to achieve.

And it means that these are two great powers that are highly unlikely to respond rationally to whatever incentives structures exist.

Because the Pacific lies at the core of China's and America's sense of security and self, neither side will be easily persuaded to moderate its claims.

VII

So should we just sit back and watch the region and the world slouch toward oblivion?

I don't believe so.

Because the equation in the Pacific – and indeed in the Indo-Pacific – is much more complicated than just China versus America.

China is not rising alone.

The narrowing of the productivity gap between the developed and emerging economies – a development that my colleague Mark Thirlwell calls “the great convergence” – is occurring in other substantial economies also: India, Indonesia, Vietnam, South Korea, Thailand.

China is rising in a neighbourhood that is both crowded and jealous.

Japan, Korea, Vietnam, Indonesia and India – combined population almost 2 billion people – are not about to buckle under and live under Chinese regional hegemony.

For that matter the three largest of these countries – Vietnam, India and Indonesia – didn't much like the idea of American hegemony either.

It is in the growing complexity of the power politics of the Indo-Pacific – the constantly shifting and cross-cutting partnerships and rivalries that are already developing – that the region's stability lies.

I believe it is the alternative – a bilateral contest between China and the United States – that would be the most dangerous scenario.

But with a region of half a dozen jostling powers, both Beijing and Washington will be forced to moderate their objectives and temper their rivalry.

From the other direction also, it will be in the interests of other regional countries to keep America and China engaged in the region.

For Australia this means moving past discussion of a binary choice – America or China; security or prosperity.

For Australia the answer must be America and China – and Indonesia, and India, and Vietnam, and Japan, and Korea, and so on.

Our diplomacy and our strategy must become more creative, more flexible, more variegated.

We must draw inspiration from our maritime environment – the unconquerable sea, so bountiful to those who listen to its rhythms and logic, so frustrating and dangerous to those who try to impose different rhythms and logics on it.

Perhaps this is the century in which Australia must embrace and listen to its maritime soul:

*The heave and the halt and the hurl and the crash of the comber
windhounded*