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## THE NEED FOR U.S.-AUSTRALIA LEADERSHIP TO COUNTER CHINA ACROSS THE INDO-PACIFIC

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# The Need for U.S.-Australia Leadership to Counter China across the Indo-Pacific

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## Executive Summary

China's trade retaliation against Australia, Indian border clashes, maritime harassment of Japan, and South China Sea military expansion have opened a window into how a Beijing-dominated Indo-Pacific may look. Regional governments are right to be concerned about what a future of economic coercion, maritime disputes, and contested resource rights and shipping lanes may hold.

The U.S. and Australia must leverage their strong relationship to deepen existing partnerships, build nascent strategic ties, and find new ways to cooperate in the face of an aggressive China bent on exerting itself across the Indo-Pacific region. The long-term importance of these relationships is apparent in strategic outlooks coming out of both Washington and Canberra.

The existing U.S.-Australia Alliance should be a key pillar underpinning an Indo-Pacific region free from coercion and open to unhindered navigation and overflight, with the reborn Quadrilateral Strategic Dialogue (Quad) serving as another pillar. Prime Minister Scott Morrison heralded the recent Quad leaders' summit as a "new dawn" in the region. It is now incumbent upon Australia and the U.S. to expand partnerships to make this happen, starting with Japan.

- Canberra and Washington should deepen ties with Tokyo to include more defence training opportunities, and track and share intelligence on Chinese maritime operations in the East China Sea where incursions into Japanese waters have intensified.
- Australia, the U.S. and Japan should conduct more intelligence-sharing with India in future Malabar Exercises, especially on Chinese activities in the Indian Ocean and the Malacca Straits, while finding ways to capitalise on India's strategic location and economic importance as Delhi re-evaluates its approach to Beijing.

There are opportunities for the U.S. and Australia to enhance cooperation with other potential regional partners — Singapore, Vietnam and Indonesia — that are either hedging or approaching the changing Indo-Pacific security dynamics in a more deliberative fashion. However, progress will likely be incremental; with Japan playing a potentially prominent role. For instance:

- The U.S. and Australia should encourage Japan to build off its recent defence exports and transfers to the Philippines, Vietnam and Indonesia as a way to develop Japan's nascent defence production industry while building capacity with these key U.S. and Australian security partners in the Southeast Asian region.
- Cooperation on maritime intelligence, surveillance and reconnaissance training would also strengthen the capacity of littoral states to defend sovereign territory, with Southeast Asian states participating in future Quad discussions on maritime security as a way to gradually encourage external balancing.

Future cooperation between the U.S., Australia and other nations on pressing issues such as supply chain integrity, advanced and emerging technologies, critical minerals, and vaccines present additional opportunities to build new relationships with other countries across the Indo-Pacific as they reconsider the national security risks of reliance on China. Increased Australian energy exports to Japan also present an opportunity for trade diversification and growth in the face of Beijing's campaign of economic coercion. However, as the Biden administration is unlikely to rejoin the revamped Trans Pacific Partnership, Australia and other regional governments should deepen economic ties.



# Introduction

## Background

Australia and the United States have been strong allies for more than a century, fighting alongside each other in every major conflict since World War I, working together in countless humanitarian operations, and sharing deep economic and cultural values that shape the free and open Indo-Pacific. Recent developments have underscored the strategic importance of this relationship for both countries, with the rapid economic, technological and military rise of the People's Republic of China (PRC) in the Indo-Pacific at the top of the list.

For decades, American presidents (with the exception of Donald Trump) have referred to China's rise as positive for America and the world<sup>1</sup> while some of their Canberra counterparts have gone as far as calling for a "Pax Pacifica" to create a new order that acquiesces China's rise into the pre-existing U.S.-led security and alliance structure in the region.<sup>2</sup> Academics and policy leaders have echoed these sentiments, warning Australians of the economic risks of choosing sides between the U.S. and China as burgeoning trade with China pitted deepening economic enmeshment with Beijing against the concerns of the well-established security and economic partnership between Canberra and Washington. Through it all, China has played their victim, with some commentators' fear of "angering Beijing" playing directly into the Chinese Communist Party (CCP)'s effective campaign of "discourse control"<sup>3</sup> on China-related policy and dialogue for the past 30 years.

As Australia's economic ties with China deepened, it has become Australia's largest trade partner, surpassing trade with the U.S here and for almost every other nation in the region.<sup>4</sup> China's military and technological rise across the Indo-Pacific has equally advanced, underpinning a newly assertive and adventurist regime that has militarised the South China Sea, used militia fishing fleets to push its claims, and now boasts the world's largest navy as a key pillar in its pursuit of having a "world-class military by 2049".<sup>5</sup>

China's "peaceful rise"<sup>6</sup> has been anything but. With Beijing's militarisation of the disputed South China Sea,<sup>7</sup> threats to shoot down an Australian aircraft carrying out freedom of navigation exercises,<sup>8</sup> and updates to China's defence white papers emphasising the maritime domain,<sup>9</sup> narratives around its rise began to shift in 2015. This has become even more pronounced in the wake of China's botched handling of the coronavirus pandemic and the virus's spread to the rest of the world. Beijing has only ratcheted up its economic pressure on other nations, with Australian industry squarely in its sights. In keeping with its aggressive stance, Beijing has launched an all-out trade offensive on the Australian wine, meat, and coal industries, partly in response to the Morrison

government's calls for an international inquiry into the origins of the COVID-19 coronavirus. Such coercion could be harbinger of things to come for Australia and other nations, should China continue to aggressively assert itself across the region.

Previous approaches welcoming China's rise have sown the seeds for the current environment across the Indo-Pacific — in which a bullish China is comfortable to boldly challenge Australian sovereignty by releasing a list of 14 demands as preconditions for opening up economic negotiations<sup>10</sup> to end Beijing's \$50 billion trade offensive. Some opportunities exist for Australian exporters to find alternative destinations for their products in the face of Chinese tariffs, but building new trade networks will take time.

While the Biden administration has been quick to re-join international organisations from which Trump withdrew — notably the Paris Agreement on climate change and the World Health Organisation — it has yet to act regarding trade agreements and China. Despite calls from business leaders to remove tariffs on Chinese goods,<sup>11</sup> Biden's early actions to maintain \$350 billion of tariffs on Chinese goods<sup>12</sup> as a part of the "phase 1 deal",<sup>13</sup> his campaign statements that he would not re-enter the Trans-Pacific Partnership (TPP) in its present form,<sup>14</sup> and the new administration's claims to support "Buy America"<sup>15</sup> policies show that a sweeping reversal of Trump's China trade policy is unlikely in the short term. Adding to this is scant support from the broader American electorate to re-join TPP, concerns about how the agreement could harm domestic industry, the difficulty of negotiating and ratifying a deal of this magnitude when both progressive and conservative House members are sceptical of TPP, and the political capital required to garner support of two-thirds of Senators for ratification of the agreement. The Biden administration should hence consider other ways to engage with Australia and other partners in the Indo-Pacific to address the economic and security challenges posed by China's rapid rise.

This paper will assess and address different ways Canberra can work with Washington as a part of broader coalition to counter Chinese aggression across the Indo-Pacific. While Beijing has initially backed off when nations stood up to its bullying in areas such as in Japan's Senkaku Islands and various South China Sea territorial disputes, China's provocative measures often continue as time proceeds. It is important for Australia, the U.S. and other likeminded nations to stand up in a more coordinated way as Beijing ratchets up its security and economic pressure across the region. With worldwide public opinion shifting against Beijing in the wake of the coronavirus pandemic,<sup>16</sup> it is an opportunity for Washington and Canberra to cooperate and build new partnerships to counter China's assertiveness.

## Current Standing

Australia has been a first mover in the region on countering CCP influence at home, and although Prime Minister Scott Morrison's announcement in 2018 of an additional \$3 billion in spending to counter the growing PRC presence in the Pacific Islands was made under different circumstances,<sup>17</sup> it shows Canberra has been acutely aware of the threats posed by China's regional ambitions since well before the coronavirus outbreak and current economic attacks on Australian industry. These attacks continue the recent trend of aggression that began with the freeze of top-level meetings in 2018 following Australia's passage of anti-espionage laws<sup>18</sup> and Beijing's protests over Canberra's decision to exclude Chinese telecom companies ZTE and Huawei from its domestic 5G networks in defence of national security and network integrity. Unlike previous rows — in violation of the 2015 free trade agreement — China has targeted Australian export sectors in hopes of intimidating and coercing Canberra into making policy changes by undermining support for the Morrison government.

Economic and security tensions have risen between Beijing and Washington on many of the same issues, including China's handling of the coronavirus pandemic and Trump's efforts to correct decades of Chinese trade malpractice and reduce U.S. dependence on China-based supply chains. Washington has hit Beijing with \$350 billion of tariffs on various goods, banned Huawei from its 5G network development, and made great strides to diversify and secure national security-related, medical and telecommunications supply chains.

China's truculent actions have led to an unprecedented drop in its international standing. According to Pew Research's 2020 polling,<sup>19</sup> 81% of Australians held negative views of China, with 45% holding very negative views of China. Some 79% of respondents also had zero confidence in Chinese leader Xi Jinping to do the right thing in world affairs. These sentiments were echoed in the United States, where 73% held a negative view of China and 77% have zero confidence in Chairman Xi. The same can be said of Japan (86% and 84% respectively) and South Korea (75% and 83% respectively).<sup>20</sup> These results suggest popular will exists in many nations to counter the threats posed by China, but hastening the speed of changes in some countries as they address internal political concerns and external balancing vis-à-vis

Beijing can be slow. The U.S.-Australia alliance and other existing Indo-Pacific security relationships can be a forum to work together with third countries in a more coordinated and unified approach.

## The U.S.-Australia Alliance

The U.S.-Australia Alliance has been one of the strongest security and intelligence relationships in the world since the establishment of the Five Eyes intelligence-sharing group during World War II and the official signing of the Australia, New Zealand and United States Security Treaty (ANZUS) in 1951. In nearly 70 years of alliance, the U.S. and Australia have built an architecture of intelligence-sharing and coordination, military cooperation, and multilateral frameworks across the region with the U.S.-Australia Alliance playing a central role. Both countries have also built military and intelligence cooperation and coordination protocols and procedures through an array of longstanding training exercises, developing defence relations with third countries across the Indo-Pacific.

Australia's *2020 Defence Strategy Update*<sup>21</sup> and the recently declassified *U.S. Strategic Framework for the Indo-Pacific*<sup>22</sup> specifically mention U.S.-Australia relations and relationships with other countries such as Japan and India as essential for the future of a free and open Indo-Pacific. Australia will spend A\$1bn (US\$770 million) on upgraded naval capabilities such as surface-to-air missiles, torpedoes, and land strike capabilities to project power and maintain sea control,<sup>23</sup> and the U.S. also continues to modernise its forces. This spending takes place amid China's weaponisation of its economic heft and its unprecedented military build-up as it seeks to control the South China Sea while also claiming to have the world's largest naval force.<sup>24</sup>

The existing U.S.-Australia Alliance framework of bilateral cooperation and high-level meetings and agreements with other states — such as the Quad — should serve as an essential component of an organised attempt to counter China as it continues to assert itself across the region in both security and economic spaces. Morrison heralded the recent Quad's leaders' summit as a "new dawn"<sup>25</sup> in the Indo-Pacific, and it is incumbent upon the U.S. and Australia to work together to deepen existing partnerships to make this happen, starting with Japan.

# Japan

Australian leaders have long hailed the importance of their relationship with the U.S. and Japan, with former prime minister John Howard regarding the American alliance as a special national asset and Japan as Australia's best friend in Asia.<sup>26</sup> The tradition continues to this day —Morrison was the first foreign leader to meet new Japanese Prime Minister Yoshihide Suga<sup>27</sup> — and working more closely with Japan in conjunction with the U.S. provides the strongest opportunity for deeper coordination to counter China's actions across the Indo-Pacific.

The importance of Australia's relationship with Japan is specifically mentioned in the *2020 Defence Strategic Update* and both countries' pre-existing treaty alliances with the U.S. — together with their longstanding coordination in arenas such as the Trilateral Strategic Dialogue (TSD) with the U.S. — serve as a blueprint for deepening bilateral and trilateral ties.<sup>28</sup> As the general population in both Australia and Japan have increasingly negative views of China across demographic groups,<sup>29</sup> there may be popular support for moving more quickly towards deepening defence relations across the region despite various bureaucratic barriers.

Canberra and Tokyo have made great strides towards creating a separate bilateral security relationship<sup>30</sup> with the 2020 announcement, in principle, of a Reciprocal Access Agreement (RAA)<sup>31</sup>, much to China's chagrin. Japan is no stranger to China's provocative military actions, most notably persistent violations of Japan's airspace and exclusive economic zone (EEZ) in the East China Sea's Senkaku Islands,<sup>32</sup> so deepening defence ties, coordination, and specific intelligence sharing with Tokyo regarding Chinese actions in Japanese waters is a natural conclusion. Australia's decision to re-join the U.S. and India-led Malabar Exercises, of which Japan is a permanent member, in 2020 for the first time since former prime minister Kevin Rudd withdrew in the face of Chinese pressure in 2008, and the strong relationship between PM Morrison and PM Suga, show the promise for deeper trilateral defence relations between Canberra, Washington and Tokyo — a welcome development after Australia's decision to choose French-made submarines ahead of Japanese-made submarines for its fleet in 2016.<sup>33</sup>

With an RAA in place, there are many possibilities for deeper defence and intelligence cooperation between the three countries. Exchanges of air squadrons between Australia and Japan for additional exercises

outside the existing Hokkaido ones<sup>34</sup> would create further training opportunities, and sending Japanese units to Darwin for training exercises with American and Australian troops offers great potential to build multilateral capabilities and enhance familiarity. On the naval side, continued participation in joint exercises and additional port calls would also build more familiarity and work towards more trilateral interoperability. While some call for Japan to join Five Eyes, there are various obstacles to such a move that make Japan's formal inclusion unlikely in the short-term; but sharing maritime intelligence regarding the East China Sea should be considered in this trilateral setting.

Japan's strategic positioning along the East China Sea provides the perfect opportunity for intelligence gathering and operational training. As a result, the U.S. and Australia should work with Japan to use aerial drones such as the Boeing ScanEagle<sup>35</sup> to build inter-familiarity with each country's intelligence collection processes and approaches. If successful, this could be a stepping stone for Japan to engage more fully with the broader Five Eyes group. In particular, the U.S. should work with Australia and Japan in its new intelligence-sharing partnerships to monitor People's Liberation Army Navy (PLAN) vessels, Chinese Coast Guard and other Chinese-flagged vessels to better understand how they behave across the region.<sup>36</sup> The International Maritime Organisation database shows 64 registered Chinese survey vessels built in or after 1990, surpassing the United States' 44 and Japan's 23,<sup>37</sup> so there will be many opportunities in this region. Japan has a history of standing up to Chinese activities around the Senkaku Islands, and China has stood down<sup>38</sup> in past disputes and encounters involving China Coast Guard vessels. Despite this, Chinese incursions into Japanese waters persist and Japan has sought to upgrade its domestic capabilities to address this threat.

Australia and the U.S. should encourage Japan to continue to develop its defence industry export capabilities to Southeast Asian nations as a way to both build capacity with other states in that region and to build Japan's domestic defence production industry. This would be a welcome development in the region and would build off Japan's recent defence exports and transfers to the Philippines, Vietnam and Indonesia. These nations are key U.S. and Australian security partners in the region and represent a great opportunity for multilateral cooperation in the longer-term.



On the economic front, Japanese companies have taken some of the strongest measures to increase supply chain assurance and production security as a result of the coronavirus pandemic. Tokyo has incentivised Japanese companies to onshore their manufacturing and production capabilities based in China to secure supply chains, and has paid 87 companies as of December 2020 to onshore or move production to Southeast Asia.<sup>39</sup> Japan's new ambassador to Australia has said Tokyo would like to help Australia alleviate its dependence on China.<sup>40</sup> Japan could be a destination for additional Australian coal, liquefied natural gas (LNG), hydrogen,<sup>41</sup> and wine exports as Chinese trade punishments continue and the new Biden administration changes its approach to energy production. The U.S. and Australia should also work with Japan and other countries, such as Taiwan, to create more robust and secure supply chains free of Chinese inputs for critical emerging technologies and telecommunications networks. This kind of collaboration would align with a new Biden administration executive order on supply chain resiliency.<sup>42</sup>

Coordinating efforts with Japan can also make a difference for foreign direct investment in the Indo-Pacific. Australia's recent pledges of money to support various Pacific states makes this another area of natural cooperation alongside the U.S. to invest in friendly nations to counter rising PRC influence in the islands — several states have changed diplomatic recognition to Beijing from Taipei in recent years — and ensure a potentially independent Bougainville does not become a Chinese vassal state.

The U.S., Australia, and Japan have a robust trilateral relationship with a long history of cooperation and coordination on key security and intelligence issues across the Indo-Pacific in fora such as the TSD, and their relationship helps underscore regional stability. Former Japanese prime minister Shinzo Abe was acutely aware of the importance of building this relationship and famously included India as one of the four points of Asia's 'democratic security diamond' in a 2012 speech.<sup>43</sup> Relations with India will also play a critical role in countering China across the Indo-Pacific in the years to come.

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## India

The significance of strategic relations with India in both the U.S. and Australia is evidenced by India's inclusion in the strategic calculations for both the Australian Defence Force and the Pentagon. India's strategic importance will only grow as it continues to modernise and as China increases its investment activities in the Indian Ocean region as a part of the One Belt One Road (BRI) program. Fortunately, various mechanisms are already in place in the current U.S.-led alliance to facilitate deeper relationships with like-minded nations in the Indo-Pacific.

The Malabar Exercises represent the best opportunity for Australia to work with the U.S. and India to deepen coordination and counter China across the Indian Ocean. First held in 1992 as a bilateral exercise between the U.S. and Indian navies, Australia, Japan, and Singapore joined in 2007 for a large-scale exercise in the Bay of Bengal. These naval drills offered the opportunity to develop practices and procedures for complex manoeuvres — a necessity for joint force operations. Rudd withdrew Australia from the Malabar Exercises and the diplomatic-tracked Quad due to Chinese diplomatic protests in 2008.<sup>44</sup> This decision dealt a blow to Australia-India

relations and has been a point of concern for Delhi when considering deeper cooperation with Canberra.<sup>45</sup> After rejecting Australian participation in the Malabar Exercises in 2017, India allowed Australian participation in 2020 — the first time since 2008, and a major step forward for defence coordination with India. Should exercises and drilling continue in future Malabar Exercises, Australia, the U.S., and Japan should work to conduct more intelligence-sharing with India specifically regarding Chinese activities in the Indian Ocean and the economically-critical Straits of Malacca.

The Quad faced similar challenges to the Malabar Exercises following Australia's withdrawal in 2008. The Trump administration revived the Quad in 2017, and all four countries have met at various levels since; holding ministerial-level meetings in 2019 and 2020 and including South Korea and Vietnam in coronavirus-related meetings in 2020. In March 2021, the Quad held its first leaders meeting, showing the growing importance to the group's members of addressing pandemic responses, security issues, and stability in a free and open Indo-Pacific.<sup>46</sup> The U.S. and Australia should encourage more participation by

Southeast Asian states in these meetings as a way to gradually encourage external security balancing and offer opportunities for inclusion in maritime security and intelligence-related discussions.

Australia should also consider new ways of deepening economic ties with India as an alternative to reliance on the Chinese market, especially with respect to current trade tensions. Working with India and updating vaccine production facilities in Victoria to manufacture mRNA vaccines<sup>47</sup> would produce long-term secure supply chains outside the current system — which relies on supplies from China. India's growing population also represents a potential market diversification opportunity, especially among the young urban middle class.<sup>48</sup> India is one of the top destinations for Australian coal exports, which should be increased if China continues its attacks on the

Australian coal industry. Unfortunately for the rest of the energy sector, increased exports would likely be limited to coal; India is not a major destination for Australian LNG exports (Japan receives more than 90%) and there has been little movement on exporting uranium to India<sup>49</sup> since the initial shipment in 2017.<sup>50</sup>

In the past, India has been unwilling to choose sides between the U.S. and China, yet recent deadly Sino-Indian clashes on the Himalayan border may represent an important inflection point in relations and could shift the Indian public's view on China and influence Delhi's strategic approach. Current conditions present a strong rationale for Canberra and Washington to deepen defence and intelligence relations with India while also building off the reborn Malabar Exercises and Quad framework.

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## Indonesia

Indonesia is Australia's nearest neighbour, the largest democracy in the Muslim world, and should play a pivotal role in a U.S. and Australia-led approach to building Indo-Pacific partnerships to counter China. Traditionally, the island nation has taken a strong stance regarding the importance of Asian regionalism,<sup>51</sup> and the signing of the Joint Declaration on a Comprehensive Strategic Relationship between Australia and Indonesia in 2018<sup>52</sup> shows promise for deeper ties in this realm despite Indonesia labelling the defence relationship between the two nations as "expendable"<sup>53</sup> in 2013.

Indonesian leadership took one of the highest-profile stands in the region against Chinese aggression when President Joko Widodo hosted a cabinet meeting aboard an Indonesian warship off the South China Sea's Indonesian-controlled Natuna Islands after Chinese vessels made claims to the islands and attempted to drill for natural gas there<sup>54</sup>; and said there was no reason to negotiate with China on fishing in Natuna waters.<sup>55</sup> Widodo called for strengthening of the military after this event; Australia and the U.S. represent natural partners to make this happen. But Indonesia has been reticent to choose sides between U.S. and Chinese interests, with the Indonesian foreign minister calling tensions between the U.S. and China "worrying" as recently as September 2020.<sup>56</sup>

Australia names Indonesia as a relationship vital to regional stability in the *2020 Defence Strategic Update and Force Structure Plan*,<sup>57</sup> which calls for deeper coordination, interoperability, and training in conjunction with the U.S. But various internal political pressures, Indonesia's reticence to definitively shift

its external alignment towards the U.S., and the Indonesian military being a primarily land-based force, may make swift policy changes unlikely. Slower steps in the maritime space could play a role, especially given Indonesia's stance on the Natuna Islands and the increasing number of Chinese maritime incursions in Indonesian waters.

In light of the discovery of Chinese Haiyi underwater drones in Indonesian waters,<sup>58</sup> the U.S., in conjunction with the Royal Australian Navy and Coast Guard, should move to solidify and deepen intelligence, surveillance, and reconnaissance (ISR) training operations and work together to share intelligence with Indonesia related to Chinese vessel activities throughout Indonesian waters. Inviting Indonesian observers to attend larger exercises in the region is one way to deepen ties and would build off recent U.S. exports of Unmanned Aerial Vehicles (UAVs) and helicopters to Jakarta for reconnaissance in the South China Sea.<sup>59</sup> The export of aftermarket Japanese coast guard vessels is another way for Jakarta to deepen ties with partners in the region to enhance its capabilities to defend territorial sovereignty. Japanese Prime Minister Suga visited Indonesia and Vietnam late 2020, and announced planned meetings of foreign and defence ministers to accelerate talks on the transfer of defence equipment and technology.<sup>60</sup> Following through on this would be the second export deal for the Japanese defence-related export industry, and is a great opportunity to work with Indonesia on the issue while increasing Japan's capabilities and building off its recent sales to the Philippines and Vietnam.<sup>61</sup>

## Vietnam

Vietnam has a history of confronting China in the South China Sea, notably in the 2014 crisis where China eventually withdrew an oil rig placed in Vietnamese-claimed waters near the Paracel Islands.<sup>62</sup> In 2020, Vietnam submitted diplomatic notes to the UN to protest Chinese actions in the South China Sea. Vietnam has deepened defence ties with the U.S. in recent years, most notably entering a comprehensive partnership in 2013,<sup>63</sup> acquiring six UAVs from the U.S. Department of Defense for \$9.7 million in 2019, allowing U.S. carrier visits in 2018 and 2020, and participating in the maritime Rim of the Pacific Exercise (RIMPAC) as an observer in 2018. These developments presaged Vietnam's participation in the coronavirus-focused 2020 Quad meeting and the 2018 upgrade of the Australia-Vietnam security relationship to the strategic partnership level.

Vietnam still lacks some technical capabilities and walks a fine line regarding deepening ties with the

U.S. due to Vietnam's proximity to China, economic relationship with China, and approach to foreign policy relationships. That said, deepening ties with the U.S. and Australia in the ISR and training categories would be a positive step forward for Vietnam as it addresses Chinese challenges to its sovereignty and strengthens its bases in the region by ensuring it can strike Chinese facilities.<sup>64</sup> Washington and Canberra should work with Tokyo to encourage transfers of Japanese equipment to Hanoi to bolster Vietnamese capabilities, find ways to build familiarity and practices, monitor Chinese Coast Guard and naval vessels in the South China Sea, and share intelligence as Chinese vessels and aircraft incur on Vietnamese territory. Vietnam's purchase of six ScanEagle drones from the U.S. presents an opportunity for cooperation in the near-term, as does the 2018 agreement signed between Canberra and Hanoi to find ways for deeper economic and security engagement through 2023,<sup>65</sup> and the export discussions with Japan.

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## Singapore

Australia has recognised Singapore's strategic importance since its founding in 1965, and was the first nation to establish diplomatic relations with the island city-state. More recently, the two nations signed a Joint Declaration of Strategic Partnership in 2015 and an updated defence training agreement in 2020. Currently, Singaporean forces have access to train on Australian soil in various locations for up to 25 years; the new agreement represents an opportunity for Singaporean troops to train with U.S. forces in Darwin and could open the door for broader exercises with U.S. Navy rotational deployments to Singapore.

Building experience and interoperability with troops already on the ground in Australia is one way to deepen cooperation, but more could be done in this space. As a first step, the Singaporean Air Force could be invited to participate in Exercise Black Dagger with the U.S. and Australian Air Forces, building off their 2016 observer role. Singaporean forces could also observe other U.S.-Australia joint operations such

as Talisman Sabre in a way similar to South Korea and India<sup>66</sup> or increase cooperation in amphibious operations such as the Trident Exercises. Increased maritime intelligence cooperation, ISR collection and coordination, and training with Australian forces in the Straits of Singapore, are other ways to cooperate.

However, Singapore has a delicate line to tow regarding cooperation with the U.S. and Australia vis-à-vis its ties with China. Similar to Indonesia, Singaporean leaders have expressed concerns about tensions between Beijing and Washington, indicating they have not chosen to externally balance or shift towards the U.S. or other U.S.-backed partners over China — at least in the short term. As a result, working with the U.S. and Australia in a less formal way on targeted issues such as maritime surveillance and intelligence-sharing on various shipping lanes may be an effective way for Singapore to gradually deepen ties with Washington and Canberra in hopes of building broader, more enhanced ties.

## New Forms of Cooperation

To build resilience, the U.S. and Australia should coordinate and work with Taiwan to develop secure supply chains in the semiconductor and micro-processing space, free of Chinese inputs. The Biden administration should continue to pursue the Trump administration's "clean networks" approach — of which Australian carrier Telstra is a member<sup>67</sup> — as an alternative to a China-dominated telecommunications space.

In addition, the U.S. and Australia should work with Taiwan, Japan, South Korea, and other like-minded nations to develop standards-setting regimes for emerging technologies such as artificial intelligence, 5G, and the next iteration of telecommunications technologies. The Chinese government has stated a goal to have great influence over technology standards setting by 2035<sup>68</sup> and has succeeded in gaining senior leadership roles in international technology institutions such as the International Telecommunications Union (ITU).<sup>69</sup> Preventing China from achieving its goal of setting global technology standards would be a major strategic setback for Beijing and slow the global adoption and development of China-based technologies.

Another possible area for cooperation and coordination between the U.S., Australia, and other partners is foreign investment. The U.S. has screened foreign investments in areas of national security concern since the 1970s through the Committee on Foreign Investment in the United States (CFIUS), run by the U.S. Department of Treasury. In September 2020, the Department revised some of its regulations pertaining to certain critical technology transactions.<sup>70</sup> Australia has also strengthened its foreign investment laws in recent years, drawing consternation from Beijing<sup>71</sup> after strengthening the Foreign Investment Review

Board (FIRB)'s powers in mid-2020, including a \$0 monetary threshold for state-owned enterprises, which went into effect in January 2021.<sup>72</sup> Japan also strengthened and revised its foreign investment laws in 2020, lowering the threshold of notifying regulators of foreign ownership from 10% to 1% in 558 designated firms and regulated sectors, and adding medical devices to a list of national security-related technologies.<sup>73</sup>

To the extent possible, while protecting proprietary business information, the U.S., Australia, and Japan should work together and share information about the different types of investments Chinese firms are making in their high-technology, defence, and national security sectors. This could take place under the guise of the critical- and emerging-technology working group announced as a part of the Quad leaders' meeting joint statement.<sup>74</sup> Sharing such business intelligence could inform the three countries where China may be heading in terms of investing in next generation technologies, expose the risks of intellectual property theft and exfiltration, and raise awareness of potential vulnerabilities in the private sector — especially as it pertains to China's new intelligence law.

Enhanced cooperation and review of PLA-affiliated students attending advanced degree programs at U.S. and Australian universities may be another way to protect advanced research and development projects in both nations. China has threatened to discourage students from studying in Australia in a further escalation of its economic punishment,<sup>75</sup> while U.S. universities continue to have high-profile cases of PLA-affiliated research arrests in recent months — which should raise concerns about espionage at universities in both the U.S. and Australia.

## Conclusion

China's recent actions have opened a window into how a Beijing-dominated Indo-Pacific may look, and nations are right to be concerned about what a future of economic recriminations, maritime border disputes, and contested resource rights and shipping lanes may hold.

The confluence of these factors has compelled the U.S. and Australia to build upon their decades-long defence alliance and intelligence partnership to deepen existing strategic relationships with Japan and India and find new ways to forge strategic ties with nations in the Indo-Pacific to ensure the region remains free and open. As a new U.S. Indo-Pacific Command report calls for an increase of \$27 billion of defence spending between 2022 and 2027, there may be many possibilities to build deeper defence ties between Washington and Canberra across the region.<sup>76</sup> Working together at higher strategic levels with trusted partners like Japan and India will augment the capabilities of the U.S. and Australia to counter Chinese aggression in the region, especially from a security standpoint. At the same time, deeper coordination may provide opportunities for new export markets for impacted Australian sectors while also presenting a way to build new supply chains free of critical Chinese inputs.

While Tokyo and Delhi stances have continued to move towards the U.S. and Australia as threats from China have increased, governments in Jakarta, Hanoi, and other states have voiced their concerns about China's actions while not fully balancing their approach to China. There are opportunities for the U.S. and Australia to build cooperation with these nations, but progress will likely be incremental, with Japan playing a potentially prominent role.

On the economic and technological side, all countries in the region should look for opportunities to develop new export opportunities to build markets and supply chains outside Chinese control, especially in the high technology sector. There is little support at the grassroots level for the U.S. to join TPP, so leaders and countries should seek solutions to deepening economic ties outside a sweeping regional trade bloc.

Neither Washington nor Canberra can allow themselves or their partners to become supplicants of Beijing, and seamless coordination between the two in conjunction with a broader approach in the Indo-Pacific is imperative to counter China's aggression and ensure peace and stability across the region. Deepening pre-existing relationships, building nascent strategic ties, and finding new ways to cooperate, will thus be critical for the future of a free and open Indo-Pacific.



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