

Australia's destiny in the Asian Century: Pain or No Pain?

By Kishore Mahbubani¹

Introduction

By the logic of geography, the continent of Australia should have been populated with Asians. Instead, by an accident of history, Australia has been predominantly populated with Westerners. This historical accident is now coming to an end. The past two centuries of Western domination of world history have been a major historical aberration because from the year 1 to the year 1820, the two largest economies in the world were always Asian (China and India). All historical aberrations come to a natural end. We will return soon to the Asian century, if not the Asian millennium.

The one country that will have to make the most painful adjustment to the Asian century is undoubtedly Australia. As Western power slowly but steadily recedes from Asia, Australia could well be left beached, together with New Zealand, as the sole Western entity in Asia. Today, Australia is naturally clinging on to American power for comfort. The deployment of 2500 Marines in Darwin in April 2012 clearly sent a signal that Australia was counting on American security protection. Yet American power will also recede steadily. Few Americans and Australians are aware of how quickly the American economy will become number two in the world. IMF statistics show that in PPP terms America had a 25% share of the global economy in 1980, while China only had 2.2%. By 2016, the American share will decline to 17.6% while the Chinese share will rise to 18%. There is no doubt that America will become the number two economic power in the world soon.

Under these dramatically changed historical circumstances, the biggest mistake that Australia could make is to continue on auto-pilot, clinging to Western or American power as its sole source of security. A strong desire to remain part of the West is perfectly natural. The Australian Foreign Minister, Bob Carr, explained this desire well in his interview with the Straits Times on 6 July 2012. "But by language and institutions and values, Australia is undeniably Western and should not apologise for it," he said. "It is who we are. It makes us interesting and it makes us valuable to all interlocutors... A parliamentary democracy, an independent judiciary, a free press, a focus on human rights - all derive

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from the Western tradition. The Asian migrants who come here bringing their cultures and their perspectives like it that way.”²

The logic of cultural identity cannot, however, trump hard geopolitical considerations. Let me make a slightly provocative comparison to drive home that point. The West supported the white minority apartheid government throughout the Cold War because it was seen as a necessary bulwark against Soviet expansion in Africa. However, as soon as the Cold War ended, South Africa lost its strategic usefulness and was quickly abandoned by the West. Their common cultural roots did not factor in the equation. It would be equal folly for Singapore to assume that common ethnic roots would trump geopolitical considerations in its relations with China, or for Malaysia to believe the same with Indonesia. At the same time, to avoid any misunderstanding, let me stress that Australia, unlike apartheid South Africa, does not sit as a “foreign” object in Asia. It has adapted relatively well over the years to its Asian neighbourhood. It enjoys close and friendly relations with many of its Asian neighbours.

Indeed, Australia has many assets in Asia. Firstly, Australia is a member of the Five Power Defence Arrangements (FPDA) together with Singapore, Malaysia, New Zealand and the United Kingdom. Established in 1971, the FPDA has sought to complement the traditional US bilateral alliances and networks, more recent minilateral arrangements, as well as ASEAN's operations in promoting peace and stability in Southeast Asia. In so doing, Australia, together with the UK and New Zealand, plays a part in sustaining the Southeast Asian security architecture.³

Secondly, Australia has carried out a number of education and training projects through the Australian Agency for International Development (AusAID) and other government agencies. In fact, AusAID funds the ASEAN-Australia Development Cooperation Programme which helps in the realisation of the ASEAN Economic Community (AEC) by 2015. The programme focuses on building the institutional capacity of ASEC, funding critical economic research and policy activities, and implementing projects that help less developed ASEAN member states operationalise elements of the ASEAN Economic

² Australia 'to stick with Western values', Jonathan Pearlman, *The Straits Times*, 6 July 2012

³ Ralf Emmers, *The Role of the Five Power Defence Arrangements in the Southeast Asian Security Architecture*, Working Paper No. 195, S. Rajaratnam School of International Studies, Singapore, p.2.
Available at <http://www.rsis.edu.sg/publications/WorkingPapers/WP195.pdf>

Blueprint.⁴ In short, Australia is already playing a pivotal role in raising the quality of education and training among ASEAN member states.

Thirdly, Australia has cultivated close ties with its Asian neighbours, particularly Japan and Indonesia. Japan and Australia have close economic ties, since Japan is Australia's largest trading partner and a major source of capital investment. In 2007, Australia and Japan started negotiations on a bilateral free trade agreement. Both countries have also cooperated in the areas of culture, tourism, defence and scientific cooperation. For example, Australia and Japan signed a joint security pact in March 2007.

Australia also has generally good ties with Indonesia. Since the independence of Indonesia, both countries have cooperated in the areas of fisheries conservation, law enforcement, and justice. In June 2006, Indonesia and Australia also concluded a security agreement, known as the Lombok Agreement, to provide a framework for the development of the bilateral security relationship. In 2011-2012, Australia's assistance to Indonesia was worth an estimated \$558 million. Indonesia is Australia's top recipient of bilateral aid. Both countries also have a healthy trade and economic relationship with two-way trade (merchandise and services) worth \$13.8 billion in 2010-11, and two-way investment worth around \$5.7 billion in 2010.⁵ The importance of the Australian-Indonesian relationship can be summarised in a 1994 speech by Paul Keating in which he said, "No country is more important to Australia than Indonesia. If we fail to get this relationship right, and nurture and develop it, the whole web of our foreign relations is incomplete. [...] The emergence of the New Order government of President Suharto, and the stability and prosperity which [it] has brought to [Indonesia], was the single most beneficial strategic development to have affected Australia and its region in the past thirty years."⁶

However, there are assets that Australia could take for granted too easily. As a Western power, Australia could more easily establish good relations with its Asian neighbours when Western power was globally dominant. It always helps to be a member of the most successful club in the world. Hence, Australia's close links with London initially and Washington DC subsequently were seen to be an asset rather than a liability in the region. It also helped that Australia, ASEAN, China and the West were on the same side throughout the Cold War from roughly 1950 to 1990. However, the Cold War has long ended.

⁴ ASEAN-Australia Development Cooperation Program homepage.

Available at <http://www.aadcp2.org/home/content.php?id=65>

⁵ Indonesia country brief, Australian Government website.

Available at http://www.dfat.gov.au/geo/indonesia/indonesia_brief.html

⁶ Bilveer Singh, "Defense Relations Between Australia and Indonesia in the Post-Cold War Era", pp.89-93. Published by Greenwood Publishing Group in 2002.

The new major geopolitical contest will now be, in one way or another, between America and China. Hence, simultaneously, Australia will soon have to make painful choices on both the cultural and geopolitical fronts.

The time has therefore come for Australia to engage in some hard-headed and tough-minded questioning about its security and foreign policies in the coming decades. I cannot emphasise enough that continuing on auto-pilot is not an option. As a friend of Australia, I would like to urge it to wake up sooner to the new realities of our world. The earlier Australia makes the adjustments, the less painful they will be.

No one can predict the future, even if we can make reasonable judgements about likely long-term trends. All kinds of geopolitical scenarios could emerge. This paper will suggest some possible geopolitical challenges that could emerge: the Sino-American, the Sino-Indian and the tension between Islam and the West. Each of these three geopolitical fault lines would pose real challenges to Australia. All would require Australia to make adjustments.

Let me also make clear up-front what the final recommendation of this paper will be. Australia has been blessed with an unexpected but valuable geopolitical buffer: ASEAN. For all its flaws and defects, ASEAN has enhanced Australian security by keeping Southeast Asia at peace (with no refugee spillover onto an empty continent), keeping Asian powers (like China and India) at arms' length and increasing multilateral webs of cooperation which have created greater geopolitical stability. One of the biggest geopolitical mistakes Australia made in recent decades was to take ASEAN's geopolitical success for granted. Even worse, Australia has, from time to time, tried to undermine or bypass ASEAN in its diplomatic initiatives. All these moves demonstrate that Australia has not fully understood how its geopolitical destiny is going to evolve.

One fundamental flaw in Australia's geopolitical thinking arises from a complacent assumption that Australia will always remain a "middle power" in global rankings. Australia's inclusion in the G20 has contributed to the illusion that Australia will always remain a middle power. Few Australians are aware that Australia was only included in the G20 because of relative GNP calculations made by Larry Summers and Paul Martin in 1999. That was when Western power was still at its peak. As several Asian and other emerging powers grow in economic strength, Australia's position in the global order will slip slowly and steadily. Soon Australia will no longer be perceived as a middle power.

In my new book, “The Great Convergence”, I propose a new 7-7-7 formula for reforming the UN Security Council. There will be seven permanent members, seven semi-permanent members taken from the list of the 28 next-most powerful countries in the world, and seven elected members. To give equal weight to “democratic representation” and “economic weight”, a country’s place in the global ranking is based on its average share of global population and global GNP. Annex A provides a ranking of the 193 UN member states and the EU. As UN seats are distributed according to a formula for regional representation, Australia does not earn a place among the middle powers in the “Western Europe and Others Group” (WEOG) that it belongs to.

Here, as an aside, let me mention that one painful decision that Australia will have to make is when it will leave the “Western Europe and Others Group” (WEOG) in all UN bodies. Australia’s geographical and geopolitical destiny is in Asia. Its participation in the WEOG is the result of a historical anachronism. How much longer will Australia cling on to a historical anachronism?

Hence, to bring up the conclusion of this paper, Australia (and New Zealand) have no choice but to move closer to ASEAN. A new “Community of 12”, including the ten ASEAN countries, Australia and New Zealand, represents the natural geopolitical destiny of Australia. Paul Keating tried to steer Australia in that direction during his Prime Ministership from 1991 to 1996. Sadly, subsequent Australian Prime Ministers have failed to do so. Many precious geopolitical opportunities were wasted as Australia returned to its traditional historical direction of focusing on the West. More years will be wasted if Australia fails to engage in new thinking.

Some Geopolitical Scenarios

Since geopolitics has been with us almost since the beginning of human society, it is possible to make reasonable assessments of likely geopolitical faultlines. The three most important geopolitical relationships in the world that will affect Australia will be the Sino-American relationship, the Sino-Indian relationship and the relationship between Islam and the West. All these three relationships will have an impact on Australia’s geopolitical destiny. Hence, it may be useful to briefly describe key forces driving these three relationships. A longer analysis of each of these three can be found in my next book, “The Great Convergence”.

The America-China relationship

In geopolitics, the most important relationship is always between the world’s greatest power (today America) and the world’s greatest emerging power (today China). For most of history, when one

great power tries to supplant another one, it has almost always been accompanied by war. The only recent historical exception was when America replaced the UK as the world's greatest power almost a hundred years ago. That transition may have been easier because one Anglo-Saxon power replaced another, and there were many practical and financial ties between the two. When China achieves the largest GNP in the world (one of the key indicators of great power status), probably before 2020, it will be the first time in 200 years that a non-European power will have the largest economy in the world.

Still, the prospects of a war between America and China are very low. Before stepping down as Secretary of Defence – a post he had served in for almost five years – on 1 July 2011, Robert Gates told reporters: “We [America and China] are both going to continue to be interested in protecting our interests in the Pacific, and East Asia particularly. But I would regard the chances of military conflict between the two countries as quite low. ... I can't imagine either power being that stupid.”⁷ Many factors explain this low prospect of war: the danger of mutually assured destruction (MAD) by nuclear weapons; the growing interdependence between the Chinese and American economies; the growing awareness that China and America have to manage many global challenges together, and, equally importantly, the deft management by both sides of geopolitical differences. Reflecting the importance of good management of America-China relations, one of the greatest statesmen of our times, Henry Kissinger, argued in 2011 that a cooperative United States-China relationship is “essential to global stability and peace”. According to a New York Times review of his book *On China*, Mr. Kissinger warns that were a cold war to develop between the countries, it “would arrest progress for a generation on both sides of the Pacific” and “spread disputes into internal politics of every region at a time when global issues such as nuclear proliferation, the environment, energy security and climate change impose global cooperation.” He concludes that “relations between China and the United States need not — and should not — become a zero-sum game.”⁸

There are many factors pushing China and America to cooperate. China relies on the American market to export its manufactured products. America relies on China to buy its Treasury bills to ensure that American interest rates do not shoot up. In geopolitics, America relies on China to help keep the volatile North Korean situation stable. China in turn relies on America to keep the Persian Gulf region

⁷ “Chances of US-China war remote, says Gates,” The Straits Times, July 1 2011, p. A19.

⁸ Review of “On China” by Henry Kissinger, New York Times, 5 October 2011, <http://www.nytimes.com/2011/05/10/books/on-china-by-henry-kissinger-review.html?pagewanted=all>

stable as it still imports a lot of oil from there. China and America often cooperate in the UN Security Council to manage the “hot” issues of the day.

Yet, even while they collaborate with each other, each keeps a wary eye on the other to exploit any geopolitical opportunity that comes along. There is also growing distrust. Wang Jisi and Ken Lieberthal describe it as follows: “There are three fundamental sources of growing strategic distrust between the United States and China: different political traditions, value systems and cultures; insufficient comprehension and appreciation of each others’ policymaking processes and relations between the government and other entities; and a perception of a narrowing gap in power between the United States and China.”⁹

Hence, even while China and America continue to collaborate in many important areas, they are also constantly competing with each other. Both are aware of this competition. Both sides take equal pleasure when they notch up a victory or two. This game in itself is not dangerous. But it can become dangerous when either side crosses a “red line” that tramples on a key national interest of one side. Right now, the danger of America crossing such a “red line” is higher than that of China doing so as China is still much militarily weaker than America. This is not because China is an inherently more benign great power than America. The one irrefutable lesson of thousands of years of geopolitics is that no great power is benign. It will always seek to pursue or secure its own interests. The only question is whether it will act wisely or unwisely. Right now, America faces the danger of acting unwisely in two areas.

The first is military. America remains far more powerful than China. Hence, the big strategic question that Washington should be asking is whether it wants to stimulate a major arms race. Simple geopolitical wisdom would suggest that it is in America’s long-term interest to avoid one. With China, America cannot try the same gambit that succeeded with the former Soviet Union: it could outspend the former Soviet Union several times over. Now with China’s economy on the verge of becoming bigger than the American economy and the American economy facing the prospect of remaining weak for another decade or so, it would be wise for Washington DC to avoid an arms race. China may have far deeper pockets for the foreseeable future.

⁹ Ken Lieberthal and Wang Jisi, Addressing U.S.-China Strategic Distrust, Brookings Institution. Available at <http://www.brookings.edu/research/papers/2012/03/30-us-china-lieberthal>

President Obama was forced to announce major defence cuts on 5 January 2012 to reduce American budget deficits but America will still continue to vastly outspend its nearest competitor. Why is this necessary? Is it wise? This enormous military spending may also encourage a pattern of relatively aggressive behaviour. The American navy has been aggressively patrolling close to the coast of China for several decades. Under international law, the American navy has a right to sail or fly surveillance aircraft in international waters which are 12 miles away from Chinese shores. However, I wonder whether any American policymaker has seriously asked himself some searching questions about the wisdom of continuing these patrols. First, was it sensible for the American navy to continue its old patterns (which it knew would aggravate China) while Washington was implicitly seeking the help of China through the financial crisis? Second, even though China has passively accepted the patrols how much longer will it continue to do so? Third, if the American navy insists on the right to patrol 12 miles away from Chinese shores, will it also allow Chinese naval vessels and surveillance aircraft to do the same 12 miles from American shores when China has developed the capability to do so?

The second “red line” that America could cross inadvertently is over China’s political stability. This is also the area where the gaps in perception are the greatest. From the point of view of Chinese leaders, China experienced almost continuous political instability and turbulence from the First Opium War of 1839 to the Cultural Revolution which ended in 1976. After almost 140 years of instability, the Chinese people have experienced over thirty years of continuous economic growth and relative political stability. The two are linked. Without political stability, the Chinese people would not have enjoyed the economic growth and the rapid improvement in living standards. Chinese leaders believe fervently that at the present stage of China’s development, China’s political stability would vanish without a strong Chinese Communist Party (CCP) in charge. They are equally aware that the CCP has to transform itself. In some ways it has done so. Yet the CCP’s stay in power is essential to keep China going. Polls have shown that a majority of Chinese citizens accept that the CCP should stay in power as long as the CCP continues to deliver good economic results and social benefits. There is an implicit social contract between the CCP and the Chinese people. Various American efforts to delegitimize the CCP, either through supporting dissidents or denigrating China’s political system, could one day incur a sharp backlash. Where will Australia stand in the event of a major rupture in Sino-American relations?

The China-India relationship

The second most important geopolitical relationship in the world is between the world’s two emerging superpowers, China and India. Goldman Sachs has forecast that by 2050 or earlier, the

number one and number two economies will be China and India. Hence it is clear that while the America-China relationship is the most important geopolitical relationship of today, the China-India relationship will be the most important tomorrow.

In trying to understand how this relationship will evolve, it is clear that there are elements of both collaboration and competition between the two. The competitive dimensions are not difficult to unearth. The two countries have an unresolved border dispute, over which both sides went to war in 1962. They were on opposite sides during the Cold War, with China leaning towards America and India leaning towards the Soviet Union. A residue of that Cold War legacy remains in China's continued support for Pakistan, which is read by many observers in New Delhi as anti-India. Some recent incidents have also marred bilateral relations. India cancelled a visit by its senior Indian Administration Services (IAS) officers in May 2007 when China refused to give a visa to an IAS officer born in Arunachal Pradesh since China claimed that Arunachal Pradesh was part of its territory.

Overall it is not difficult to find elements of competition between China and India. The Western media tends to highlight areas of competition rather than collaboration. Some of this clearly reflects wishful geopolitical thinking in the West, especially in America. Just as America gained a significant geopolitical advantage when China leaned towards America in the Cold War, America could gain a similar geopolitical advantage if India leaned towards America in any new competition between China and America. There can be no doubt that China has become a key factor in the American-India relationship. George W. Bush conferred a huge geopolitical gift to India by effectively "legitimising" the Indian nuclear program, both through the bilateral nuclear accords signed in October 2008 and through lobbying in the Nuclear Suppliers Group (NSG) in August 2008 to grant a waiver to India to commence civilian nuclear trade. (Note: Amazingly, Australia took a strident stand against India at that time. Principles seemed to trump Australia's geopolitical interests in its policies towards India then.)

While there is no doubt that it would serve American interests for India to lean towards America in any conflict between America and China, it is not so clear that it would serve India's long-term interests to do so. The Indian National Security Advisor Shiv Shankar Menon said 8 January 2011 that with a few thousand years of strategic culture of its own, India would never allow itself to be used an instrument by other powers.

Many in the West who focus on the competing interests of China and India fail to realise that the two countries have collaborated closely in some critical areas, as they did at the infamous Copenhagen conference in December 2009. China and India also collaborated closely in the Cancun WTO meeting in 2003.

Moving ahead, however, both China and India will have to deal with a new political reality where the richer Western countries will no longer feel confident about the future. In an age of anxiety, Western politicians will not be able to make significant concessions to conclude negotiations on climate change and/or trade. A greater burden would then shift on to the shoulders of China, India and other developing countries. So the time has clearly come for both China and India to think about the clear long-term interests they have in collaborating with each other in many areas of common interest.

Both China and India can only sustain their rapid economic growth if the relatively open 1945 rules-based order is sustained and, indeed, strengthened. Both China and India are increasingly plugging their economies into the global economic grid. In so doing, they are demonstrating great common faith that this global economic grid will carry on. What happens if this grid falls apart? Who is going to rebuild it? Pure common sense dictates that both China and India should put in a stronger common effort to keep the global economic grid going.

Both China and India also face a common need to keep open global access to natural resources. Rising nutrition levels (which are to be welcomed) requires both China and India to import more food. Food, however, is a politically sensitive commodity. Clearly China and India share a common interest in developing a fair and equitable regime in food supplies. Both sides also share a common interest in developing a common global assessment of the relatively predictable expected demand in the coming decades and the relatively unpredictable supply of food. A third common challenge that both China and India face is in secure sea lanes.

The common challenges and shared interests of China and India underscores that the relationship between the two countries will alternate between competition and collaboration. Their geopolitics will necessarily have to be supple and not rigidly ideological. That way a win-win relationship is possible. Hitherto, Australia has primarily seen India as a third world aid recipient from Australia. And Australia has occasionally cut off aid to India. Will such policies be sustainable as India emerges as a great power in its own right?

To be fair, Australia has been revisiting its policies towards India. It is reviewing its policies on banning uranium exports to India, and it has put AUD \$8 million into Indian studies. In 2009, Australia also commenced a strategic dialogue with India, known as the “Strategic Partnership and Security Framework”. Australia has also contributed funds for joint science and technology research projects with India, including AUD\$65 million that will be matched by India for the Australia-India Strategic Research Fund to support joint research in some of the challenges facing the two countries, like energy, food and water security, and AUD \$20 million for the Australian Centre for International Agricultural Research (ACIAR) to undertake joint research in dry-land agriculture with India.¹⁰

Islam and the West

The third most important geopolitical relationship is between Islam and the West. In some ways it is the most obviously troubled. There is a thousand-year history of distrust and conflict. Yet, even here there is room for careful optimism. In the great global convergence we are seeing, the Islamic world is also joining the march to modernity. Their aspirations are now similar to those in the rest of the world.

The roots of the distrust between Islam and the West go back to the Crusades but they have clearly been aggravated by the last two centuries of Western colonisation and domination of large swathes of the Islamic world. Even though direct Western colonisation has receded, Western domination continues. Many Muslims continue to ask why only Muslim countries have been either attacked or bombed by the West. Since Australia is located right next door to the world’s most populous Muslim country, it has to develop a deep understanding of and sensitivity to these overwhelming sentiments in the Islamic world. Similarly, it has to understand that there is one cancerous tumour in the Islam-West relationship that provides the single biggest source of aggravation: the Israel-Palestine issue. It is the single biggest source of poison in the Islam-West relationship. However, it can be solved. Most thoughtful and reasonable analysts believe that the Taba Accords proposed by Bill Clinton in Jan 2001 still provides the best basis for resolving the issue. We have the theoretical solution if we can find the practical will to implement it. Has Australia positioned itself on the side of those who are pushing for an early two-state solution?

At the same time, while the Islamic world faces many challenges, it is also clear that the Islamic world of 1.2 billion people is not immune from the larger global trends of convergence. Modern

¹⁰ India country brief, Australian Government, Department of Foreign Affairs and Trade. Available at http://www.dfat.gov.au/geo/india/india_brief.html

technology and frequent travel have opened the eyes of Islamic populations to this new consensual cluster of norms sweeping across most of the developing world. As a result, Islamic populations are putting enormous political pressure on their governments to focus on economic development and not get distracted. Fortunately, there are enough success stories in the Islamic world to demonstrate that modernization and Islam can go hand in hand. Turkey, Indonesia and Malaysia provide the best examples. Since two of these three countries are close to Australia, has it developed a long-term strategy to engage them deeply to protect Australia from the overwhelming anti-Western sentiment in the Islamic world? Does Australia only factor in “bilateral” issues in its relations with neighbouring Islamic countries? Or does it also factor in larger trends in the Islamic world?

Australia's options

It is possible that we will see relatively harmonious outcomes in all these three key geopolitical relationships: Sino-American, Sino-Indian and between the West and Islam. If that happens, Australia will have less cause to worry. However, if tensions develop, especially between America and China or between the West and Islam, Australia will have to make painful choices.

At the point in its history, it would be foolish of Australia to ditch its longstanding alliance relationship with America. It should cling on to it for geopolitical protection. However, despite this close alliance relationship, Australia will have to ask itself how closely it wants to identify itself with any American policies that may be trying, explicitly or implicitly, to “contain” China. Already, some Chinese are hinting that Australia should be careful.

Song Xiaojun, a former senior officer of the People's Liberation Army, warned that Australia could not juggle its relationships with the United States and China indefinitely and that “Australia has to find a godfather sooner or later. Australia always has to depend on somebody else, whether it is to be the ‘son’ of the U.S. or the ‘son’ of China. [It] depends on who is more powerful, and is based on the strategic environment.” Noting the rising importance of China as an export market, Song added that Australia depended on exporting iron ore to China “to feed itself,” but “frankly, it has not done well politically.”¹¹

In an open society like Australia, the debate has already begun on how Australia should “choose” between America and China. Professor Hugh White triggered such a debate on the dilemma posed by

¹¹ Tom Hyland, Do we have to choose between China and the US?, Sydney Morning Herald, May 20, 2012
<http://www.smh.com.au/world/explainer-do-we-have-to-choose-between-china-and-the-us-20120519-1yxz7.html>

China's rise. He said very colourfully, "The very thing which is keeping us afloat economically is undermining the structure which keeps us safe strategically. This falls into the 'shit happens' school of international affairs." Professor White argued that China's challenge to US power was a reality, not a possibility. The best way to deal with this, he said, was for the US to agree to share power with China and the other big regional players, India and Japan.¹² Hence, he said that Australia should foster a "concert of powers", where the US allows more space for China to grow. He also recommended spending more on defence and building more capable armed forces.

If there are contradictions in official Australian views towards China, these contradictions are reflected in public opinion. In 2011, a Lowy Institute poll found that 75 per cent of Australians recognised that China's economic growth has been good for Australia, but 57 per cent thought that there was too much Chinese investment in Australia. A majority (55 per cent) thought it unlikely that China would pose a military threat within 20 years, while 44 per cent thought this was likely. 82 per cent said the US alliance was important for Australia's security, even while 73 per cent accepted that the alliance made it more likely that Australia would be drawn into a war that would not be in its interest; and 55 per cent favoured US bases in Australia.¹³

It is one thing to speculate hypothetically about how Australia should respond in moments of geopolitical tension. It is another to decide what to do in moments of heat. For example, at the last two ASEAN meetings, the US Secretary of State, Hillary Clinton, asked China to behave responsibly on the South China Sea issue. As a close ally of America, the Australian delegation would have been expected to speak up in support of the American position. However, Australia wisely chose to remain silent.

Similarly, Australia has also been able to dodge difficult issues in the relations between Islam and the West because its closest Islamic neighbour (which also happens to be the most populous Islamic country in the world) has been relatively moderate. At the same time, Australia has also had a much larger economy than Indonesia over the past few decades. Hence, Australia could look at Indonesia with mild condescension, which came through in some of Australia's foreign policy postures.

Let me tell a little story to illustrate the nature of Australia-Indonesia relations. Some time in the 1990s, both Gareth Evans and Ali Alatas were serving as Foreign Ministers of Australia and Indonesia

¹² *Ibid.*

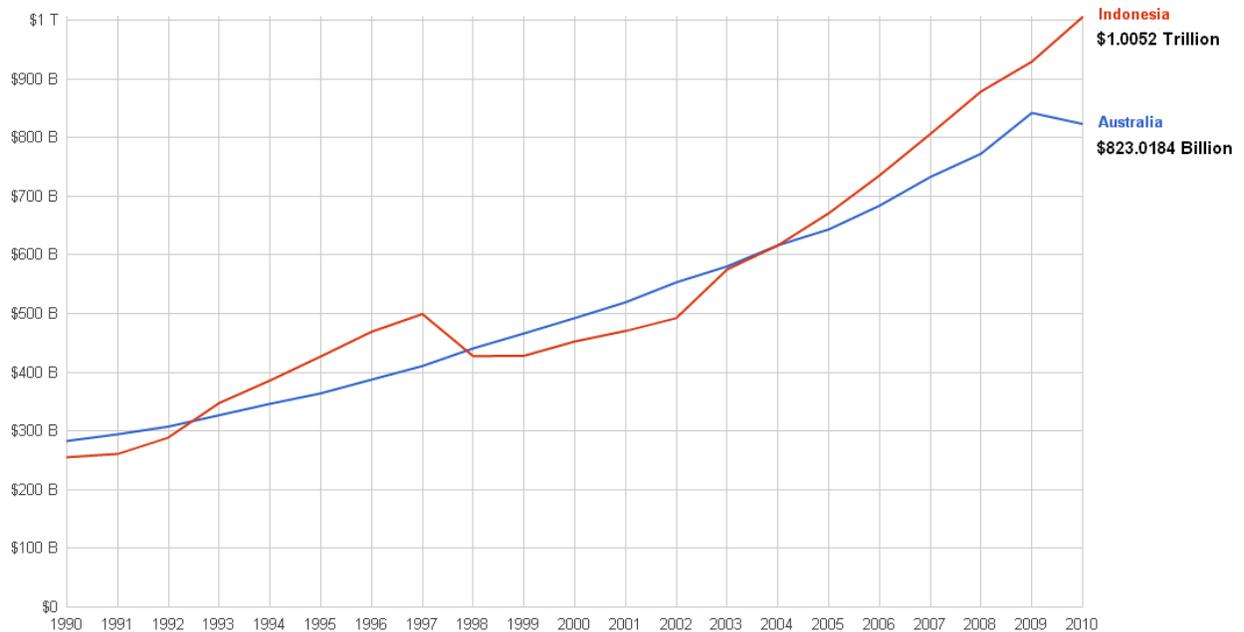
¹³ *Ibid.*

respectively. (Note: Ali Alatas sadly passed away in 2008.) Both were good friends of mine. After the usual game of golf at an ASEAN Ministerial Meeting, both had lunch together. I was present. Ali Alatas decided to joke with Gareth. He told Gareth that after his “red” book on Cambodia and his “blue” book on UN peacekeeping, his next book would be “green”. Gareth was puzzled. He asked, “Why green?” Alatas replied with a smile, “The green book would be about the Islamic threat to Australia.” Ali Alatas was only joking. However, often a serious point is put across in jest. Alatas was signalling that Indonesia was aware of Australia’s security concerns.

According to the World Bank, in purchasing power parity dollars, Indonesia's Gross National Income (GNI), which was US\$1 trillion in 2010, surpassed Australia's GNI (US\$823 billion in 2010) way back in 2004 (see Table 1).¹⁴ Similarly, the population gap between Indonesia and Australia has continued to grow over the last 20 years (see Table 2). At 23 million, Australia’s population is now less than a tenth of Indonesia’s population (242 million) and this gap is set to widen even more. The changing power disparity between Indonesia and Australia means that Australia will have to remove all traces of previous condescension towards Indonesia (although, to be fair, it has removed most of it) and move towards treating Indonesia as a bigger and more powerful neighbour.

¹⁴ In current U.S. dollars, however, Indonesia’s GDP (\$846.8 billion in 2011) remains smaller than Australia’s GDP (US\$1.37 trillion in 2011).

Gross National Income in PPP dollars



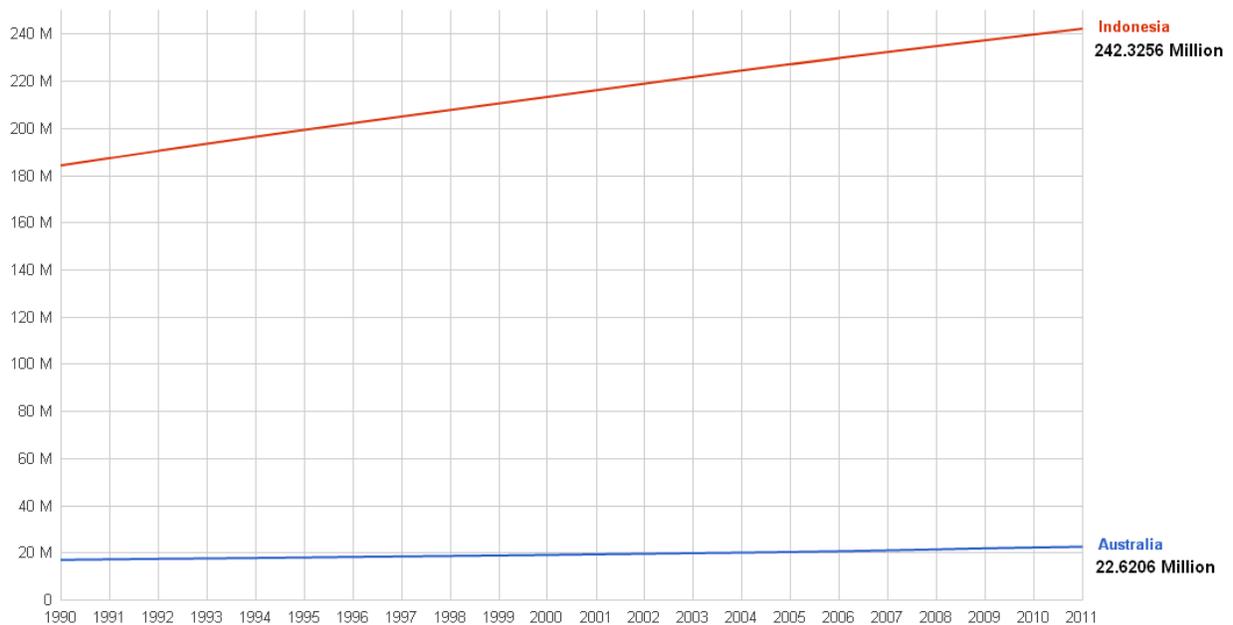
Data from World Bank Last updated: Jul 13, 2012

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Table 1: Gross National Income (GNI) of Indonesia and Australia, 1990-2010 (in PPP dollars).

Source: Google Public Data Explorer, using World Bank data

Population



Data from World Bank Last updated: Jul 13, 2012

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Table 2: Population of Indonesia and Australia, 1990-2011 (in millions).

Source: Google Public Data Explorer, using World Bank data

At the same time, Australia should not be deceived into a false sense of security because of its overwhelming military superiority over Indonesia. In any direct conflict between the two armed forces, Australia would win hands down. And Australia is likely to retain this military superiority for some time to come. However, the geopolitical challenges from Indonesia will not come in military terms. Instead, the amount of political “space” Australia occupies in the region could shrink sharply in the event of a political quarrel between Australia and Indonesia. To get a sense of the kind of difficulties that Australia might encounter, Australia should do a scenario exercise of the impact of having a “Dr. Mahathir” type of figure emerging as the newly elected leader of Indonesia. So far, Australia has been blessed with relatively moderate and friendly Indonesian presidents. Is Australia ready for a less friendly Indonesian President?

There is one simple bellwether issue that will indicate the impact on Australia’s political space in the region: the Israel-Palestine issue. So far, Australia’s voting patterns on UNGA resolutions on this subject have been in line with its fellow members in the WEOG. Quite often, Australia has voted just as Canada has. However, Canada is geopolitically blessed in being protected by two mighty oceans and by the greatest power in the world, America, from any anger in the Islamic world. Canada is also a free rider on American security. Australia’s geopolitical position is almost the exact opposite of Canada vis-à-vis the Islamic world. Yet it votes just like Canada in the UN. Surely this is geopolitical folly of the highest order.

Conclusion

The main conclusion of this paper can be put in a few simple lines. Both the global and regional geopolitical environments have changed drastically for Australia. The era of Western domination of world history is coming to an end. Power will shift to Asia. China’s economy will soon be larger than America’s. Similarly, the geopolitical weight of the Islamic world will also increase. Canada can afford to ignore most of these changes. Australia would do so at its peril.

Hence, Australia must change course significantly and review virtually all its foreign policies in the light of these new geostrategic environments. And it has to do all these reviews urgently. The world is changing much faster than it ever has. Complacency would be the biggest mistake Australia could make.

To protect itself in the long run from the rising powers in Asia, Australia should try to invent a geopolitical buffer north of its territories. If ASEAN did not exist today, Australia should be among the countries pushing hard for the creation of such a regional organisation. The good news for Australia is that it does not have to create it. The very existence of an ASEAN community has been a geopolitical gift to Australia. The bad news for Australia is that it will have to significantly revise many of its former policies towards ASEAN. Instead of trying to undermine it from time to time, it should work out a consistent long-term policy of always strengthening ASEAN. In short, ASEAN should become number one in Australia's geopolitical priorities.

Australia's dilemma vis-à-vis ASEAN can be put simply: it has to choose between its national ego and its long-term interests. One constant feature (or vice) of Australian foreign policy has been its enormous desire to be recognized as a "middle power". Since ASEAN tended to overshadow Australia, Australia would either try to bypass or undermine ASEAN from time to time. This was unwise. In so doing, Australia was undermining its most valuable geopolitical buffer.

To signal a new direction in Australia-ASEAN relations, Australia should announce that it will try once again, as Paul Keating once hinted at doing, to promote a new "Community of Twelve" comprising ASEAN, Australia and New Zealand. It should also declare forcefully that ASEAN will be at the centre of this arrangement. As part of this move, Australia should also declare that it will consistently support the centrality of ASEAN in all multilateral arrangements in the Asia-Pacific. In so doing, Australia would be doing more to enhance its long-term security than by any other moves.

In the long run, Australia will also have no choice but to seek membership in ASEAN. Right now, any such option is unthinkable in the minds of the Australian elite. Yet this is precisely the kind of "unthinkable" option that Australia has to consider as it enters the most challenging geopolitical environment of its history. In thinking of the unthinkable, Australian leaders should also ask themselves a simple question: why is Australian membership of ASEAN unthinkable?

In due course, the honest answer will come out. The main disconnect between ASEAN and Australia is in the cultural dimension. ASEAN is Asian in culture and spirit. Australia is Western in culture and spirit. The main reason why Australia will be uncomfortable as a member of ASEAN is that it will have to learn how to behave as an Asian rather than as a Western nation.

In thinking about this discomfort, Australians should bear in mind a new reality for Australia. Australia will have to change course in the Asian century. It will only have painful options. There will be no painless options. The big question that Australia will have to ponder as it looks ahead at its future in the 21st century is a simple one: will it be more painful for Australia to join ASEAN (and thereby accept both its constraints and its valuable geopolitical buffer) or will it be more painful for Australia to remain beached alone as the sole Western country (with New Zealand) in a resurgent Asia of 3.5 billion people?

(6,724 words)