

## The Shangri-La Dialogue 2012

Written by Carlyle A. Thayer

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CARLYLE A. THAYER, JUN 12 2012

The Shangri-La Dialogue is an annual gathering of defence ministers, senior military officers, national security officials and members of an elite network of security analysts, businessmen and academics initiated in 2002. The dialogue takes its name from the hotel in which it is held. It is formally if not pretentiously titled the Asia Security Summit. The Shangri-La Dialogue is organised by the International Institute for Strategic Studies (IISS), a body headquartered in London where it is registered as a non-profit organisation. It is, in fact, one of the world's leading conservative strategic studies think tanks.

For eight years the Shangri-La Dialogue was the only regular multilateral gathering of defence ministers from across the Asia-Pacific Region. In October 2010, Vietnam hosted the inaugural meeting of the ASEAN Defence Ministers Meeting Plus (ADMM Plus). The ADMM Plus brings together ten defence ministers from the Association of Southeast Asian Nations (ASEAN) plus ASEAN's eight dialogue partners: Australia, China, India, Japan, New Zealand, South Korea, Russia and the United States.

The importance of the Shangri-La Dialogue is twofold. First, it provides an unofficial setting where ministers and other senior officials are given the opportunity to address major security issues and interact with a large audience of security specialists. Second, many officials use the summit to arrange private meetings with their counterparts on the sidelines. It is important to note that the Shangri-La Dialogue is only a dialogue. It does not make decisions, adopt policy recommendations or issue any declarations.

This article provides an overview of the 11<sup>th</sup> IISS Asia Security Summit that met in Singapore from June 1-4, 2012.<sup>[i]</sup> It raises the question whether complaints about the level of debate at this year's meeting indicate that the Shangri-La Dialogue is in need of rejuvenation.

### China's Absent Seat

The program for this year's Shangri-La Dialogue included eleven defence ministers from among the eighteen members of the ADMM Plus and four non-ADMM Plus defence ministers from Canada, France, Timor-Leste and the United Kingdom. The most notable absentee was China's Defence Minister General Liang Guanglie. Other absentees included the defence ministers from Japan, South Korea and Russia as well as Vietnam, Brunei and Laos. Three hundred and fifty-one persons from twenty-seven countries accepted invitations to attend.

China declined to attend the Shangri-La Dialogue when it was first organised. China sent its first high-level military representatives in 2007. But it was only in 2011 that China's defence minister attended for the first time. China officially informed the IISS organisers that Defence Minister Liang could not attend because he was busy with "domestic priorities."<sup>[ii]</sup> China was represented this year by Lt. General Ren Haiqian, Deputy Commandant of the Peoples' Liberation Army's Academy of Military Science.

There are four other possible reasons why Defence Minister Liang did not attend.<sup>[iii]</sup> First, China did not want to become the spotlight of attention for its military modernisation, increased defence budget and assertive behaviour in the South China Sea.

# **The Shangri-La Dialogue 2012**

Written by Carlyle A. Thayer

Second, China objects to any multilateral discussion of the South China Sea dispute. This year's Shangri-La Dialogue had a breakout session on the topic "Containing the South China Sea Disputes." Two of the speakers for this session were the Philippine Secretary of National Defence, Voltaire Gazmin, and United States Senator Joseph Lieberman. Given this arrangement, China chose Wu Shicun, the director of its National Institute for South China Sea Studies, located in Hainan Island, as its delegate to this session. John Chipman, IISS Director-General and Chief Executive, publicly denied that this was the reason.

Third, the People's Liberation Army Navy, with one minor exception, has not been directly involved in incidents with the Philippines and Vietnam. China's defence minister avoided an awkward situation of having to defend the actions of China's civilian maritime agencies, the Fisheries Law Enforcement Command and China Marine Surveillance, especially in the current standoff at Scarborough Shoal. John Lee discounts this reason on the ground that General Liang handled South China Sea questions with aplomb at last year's Shangri-La Dialogue.[iv]

Fourth, China's defence minister had recently met with ASEAN's defence ministers in Phnom Penh and used this opportunity to have a one-on-one discussion with his Philippine counterpart Secretary of Defense Voltaire Gazmin. Also, the Chinese defence minister recently visited Washington and Secretary of Defense Leon Panetta is scheduled to visit Beijing later in the year. In other words, Defence Minister Liang did not need the opportunity provided by the Shangri-La Dialogue to meet privately with key counterparts.

## **The Program for 2012**

The 2012 Shangri-La Dialogue was organised into three separate parts. Part one consisted of the keynote dinner address delivered by Indonesia's President Susilo Bambang Yudhoyono on the opening night. Part two comprised five on the record plenary sessions covering the following topics: The US Rebalance Towards the Asia-Pacific; Protecting Maritime Freedoms; Deterrence and Regional Stability; and New Forms of Warfare: Cyber, UAVs [unmanned aerial vehicles] and Emerging Threats; and Emerging Risks to Global and Asia-Pacific Security. Part three consisted of five off-the-record simultaneous sessions on the following topics: Containing the South China Sea Disputes, Armed Forces and Domestic Emergencies, Northeast Asian Dangers and Opportunities, Submarines and Regional Security; and South Asia's Growing Security Threats.

There were two major highlights of this year's Shangri-La Dialogue. The first was the keynote address by President Yudhoyono that focused on the region's security architecture.[v] Yudhoyono called for the development of "durable architecture... built on a dynamic equilibrium" among the major powers and ASEAN. The Indonesian president noted the centrality of China-United States relations but added his view that "the relations of major powers are not entirely up to them. Middle and smaller powers too can help lock the major powers into this durable architecture."

## **Keynote by Indonesia's President**

President Yudhoyono's keynote also touched on the South China Sea which he described as a flashpoint. He noted that "overlapping territorial and jurisdictional claims are still a long way from being resolved," but expressed optimism that "we can still find ways to transform the potential conflict in the South China Sea into potential cooperation." President Yudhoyono then underscored the urgency to "pick up speed" to bring about cooperation. He pointedly noted, "It should not take another ten years for the ASEAN-China Working Group to complete the Code of Conduct; we expect them to move on speedily with their task."

President Yudhoyono was referring to failed attempts between ASEAN and China to negotiate a Code of Conduct in the early 2000s. In November 2002 a compromise was reached and China and ASEAN adopted a Declaration on Conduct of Parties in the South China Sea. It took a further two years for a joint ASEAN-China working group to be set up to draft guidelines. The guidelines were finally agreed only in July 2011.

## **Keynote by U.S. Secretary of Defense**

The second highlight of the Shangri-La Dialogue was the presentation made by U.S. Secretary of Defence Leon

# The Shangri-La Dialogue 2012

Written by Carlyle A. Thayer

Panetta.[vi] Secretary Panetta was the only defence minister to be allocated his own one-hour session. The other plenary sessions were scheduled for ninety minutes and consisted of three presentations followed by a question and answer period.

Secretary Panetta's presentation was entitled, "The US Rebalance Towards the Asia-Pacific." His task was to explain how the U.S. could continue to contribute to regional security at a time when the U.S. economy was still recovering and the U.S. defence budget was being cut.

Secretary Panetta presented four principles that guide U.S. defence policy: promotion of international rules and order; deepening and broadening bilateral and multilateral partnerships; adapting the U.S. military presence in the region; and new investments in capabilities needed to project power and operate in the Asia-Pacific.

The most eye-catching announcement was Secretary Panetta's commitment that the U.S. would deploy sixty percent of its air and naval forces to the Pacific and increase the number of military exercises there. Towards this end, Secretary Panetta stated that the U.S. would work to enhance partnerships with Indonesia, Malaysia, India, Vietnam and New Zealand.

Importantly, he emphasized areas in which the U.S. and China could partner and cooperate. Panetta noted, "We are working with China to execute a robust military-to-military engagement plan for the rest of this year, and we will seek to deepen our partnership in humanitarian assistance, counter-drug, and counter-proliferation efforts. We have also agreed on the need to address responsible behavior in cyberspace and in outer space. We must establish and reinforce agreed principles of responsible behavior in these key domains."

In light of a controversy that developed after his speech, it is important to quote Secretary Panetta's final comments on China: "China also has a critical role to play in advancing security and prosperity by respecting the rules-based order that has served the region for six decades. The United States welcomes the rise of a strong and prosperous and successful China that plays a greater role in global affairs."

Finally, Secretary Panetta endorsed more frequent meetings of the ADMM Plus and supported a Code of Conduct to regulate behaviour in the South China Sea.

## Contretemps Over U.S. Rebalancing

The controversy over Secretary Panetta's address arose when Tim Huxley, the executive director of IISS-Asia offered this opinion, "I don't think countries in the region will ever be convinced [by the pivot] because everybody knows the US is a declining power in relative terms. Panetta's job is to reassure that the US presence is enduring, but China is self-evidently growing not only militarily but also more confident." [vii]

Ralph Cossa, President of the Pacific Forum CSIS [Center for Strategic and International Studies], took immediate issue with Huxley. Cossa suggested "perhaps [Huxley] missed Panetta's main message" that the United States would maintain a commanding presence in the Asia-Pacific through appropriate budgeting and the deployment of naval forces. Cossa further suggested that Huxley "failed to read" the IISS' own hallmark publication, the annual *Military Balance*, that demonstrated U.S. military superiority. Cossa argued that in twenty years China "will be approaching the capabilities the US has possessed for years." As a parting shot, Cossa asked rhetorically, "If China is becoming so increasingly confident, how come Minister Liang did not show up at Shangri-La this year?" [viii]

Euan Graham, a Senior Fellow at the Rajaratnam School of International Studies in Singapore, lept to Huxley's defence arguing that doubts about the material sustainability of the U.S. rebalancing were a "well-know political fact of life [in the region]. So why shoot the messenger? Isn't this [the Shangri-La Dialogue] supposed to be a dialogue anyway?" [ix] Graham suggested that Cossa's comments were "a mirror image of the kind of scolding from Chinese officials that the commentariat have recently come to depend on at such high-level gatherings."

Graham made three substantial points: First, China "did themselves no favours" by not sending their defence

# The Shangri-La Dialogue 2012

Written by Carlyle A. Thayer

minister. Second, Secretary Panetta “sensibly avoided the trap of couching the re-balancing strategy in such binary terms,” a reference to Cossa’s essay that was entitled “US 1, China 0.” Third, despite Panetta’s reference to a 60:40 shift in naval assets by 2020, he announced no really new large-scale rotational deployments to the Asia-Pacific.

The Cossa-Huxley contretemps notwithstanding, Secretary Panetta’s speech should be viewed as a positive contribution to regional security on three counts. First, he committed the United States to remain engaged in the Asia-Pacific in support of its own interests as well as those of its allies and partners. Second, he committed the United States to continue its support for multilateral security institutions in which ASEAN forms the core. And third, the Secretary committed the United States to give priority to deepening military-to-military engagement with China.

Secretary Panetta also took advantage of the Shangri-La Dialogue to hold bilateral discussions with the defence ministers from Singapore, the Philippines and Malaysia.

## Set Piece Plenary Sessions

The four other plenary sessions were set piece affairs. They were all addressed by defence ministers, except for Japan that was represented by its Parliamentary Senior Vice Minister of Defense. Generally the presentations were brief, did not go into detail, and presented well-known policy positions. This was particularly the case in the second plenary session on protecting maritime freedoms. The question and answer period, however, did elicit unscripted comments. For example, both the Indian Defence Minister and Japanese Vice Minister of Defence expressed their concerns about China’s growing defence budget and lack of transparency.

The third plenary session on deterrence and regional stability barely scratched the surface. Australia’s defence minister Stephen Smith gave a lengthy account of his country’s defence planning process. The other speakers, the defence ministers from Cambodia and Myanmar, presented brief papers that failed to come to grips with the session’s theme the relationship between conventional deterrence and regional stability. The Myanmar defence minister used the occasion to announce his country was ending its nuclear program.

The fourth plenary session canvassed new forms of warfare in a descriptive fashion. And the fifth plenary session, on emerging risks to global and Asian-Pacific security were similarly general in nature. The French Defence Minister merely stated his country’s commitment to the region.

## A Dialogue in Need of Rejuvenation?

At the conclusion of the Shangri-La Dialogue there was some press criticism over the lack of debate and the “boring” nature of much of the discussion. The *Straits Times* of Singapore described the proceeding as “muted” and carried a photograph of a table containing a large number of name cards of invitees who failed to show up.[x]

The Shangri-La Dialogue is an annual event. With the establishment of the ADMM Plus process the question arises whether defence ministers from Europe and North America can spare the time to attend two meetings in Southeast Asia each year. When the ADMM Plus was first established it was agreed that defence ministers would meet every three years. This left open the possibility that the Shangri-La Dialogue could be held in the two years when the ADMM Plus was not meeting.

This year ASEAN Defence Ministers agreed to hold ADMM Plus meetings every two years after the Brunei meeting in 2013. This raises three possibilities. First, that the Shangri-La Dialogue continues to meet annually perhaps with less ministers in attendance. Second, the Shangri-La Dialogue could meet every three years when the ADMM Plus was not in session. Or, third, the Shangri-La Dialogue could become an adjunct to the ADMM Plus meetings.

ADMM Plus meetings are official and their proceedings are off-the-record. The Shangri-La Dialogue offers the advantages of an open forum, wider audience and the ability to select its own agenda.

The Shangri-La Dialogue is getting a new lease on life. John Chipman, IISS Director-General, announced at the

## The Shangri-La Dialogue 2012

Written by Carlyle A. Thayer

opening session that a new agreement had been reached with Singapore's Ministry of Defence to sponsor the Dialogue until 2019.[xi] In an effort to enhance the Dialogue IISS will undertake three initiatives. First, it will appoint two Senior Fellows to conduct policy relevant research in Singapore. Second, it will step up publication of independent and factual analysis of interest to its community of participants. Third, the IISS will organise an annual specialist workshop on Asia-Pacific defence and security known as the IISS Fullerton Forum to serve as the Sherpa meeting for the annual Shangri-La Dialogue.

According to *The Straits Times*, "The success of the [Shangri-La Dialogue] in future will depend on high-powered delegates participating in the event and debating issues critical to Asian security with candour." [xii] As a first step IISS might rejuvenate itself by reviewing the long list of non-attendees from its old-boy network and move to include regional defence and security specialists who have not yet participated in the annual Shangri-La Dialogue.

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[i] The International Institute for Strategic Studies maintains a dedicated website containing all the presentations and transcripts of question and answer sessions delivered to the 2012 Shangri-La Dialogue; see: <http://www.iiss.org/conferences/the-shangri-la-dialogue/shangri-la-dialogue-2012/>.

[ii] John Lee, "Beijing Shrugs at Shangri-La," *The Wall Street Journal*, June 3, 2012.

[iii] Carlyle A. Thayer, "Shangri-La Dialogue: The Ghost of China Past," *Thayer Consultancy Brief*, June 2, 2012; <http://www.scribd.com/doc/95615220/Thayer-Shangri-La-DIALOGUE-The-Ghost-of-China-Past> and Josh Rogin, "Why didn't the Chinese show up for Shangri-la?," *Foreign Policy*, June 1, 2012, who offers three theories, "One theory is that China's impending internal political transition is causing senior Chinese officials to avoid public forums where they might be forced to make comments that could hurt them domestically. Another theory states that China concluded after last year's event that the forum too easily becomes a space for regional medium sized powers to gang up on China. A third theory is that China is trying to send a message that it opposes regional multilateral forums that include the United States and wants to establish that China's relationship with its neighbors is not an issue it wants to discuss with Washington in the room."

[http://thecable.foreignpolicy.com/posts/2012/06/01/why\\_didn\\_t\\_the\\_chinese\\_show\\_up\\_for\\_shangri\\_la](http://thecable.foreignpolicy.com/posts/2012/06/01/why_didn_t_the_chinese_show_up_for_shangri_la)

[iv] Lee, "Beijing Shrugs at Shangri-La."

[v] Dr H. Susilo Bambang Yudhoyono President of the Republic of Indonesia, Keynote Address, The 11<sup>th</sup> IISS Asian Security Summit The Shangri-La Dialogue, Singapore, June 1, 2012. <http://www.iiss.org/conferences/the-shangri-la-dialogue/shangri-la-dialogue-2012/speeches/opening-remarks-and-keynote-address/keynote-address/>.

[vi] Leon Panetta, Secretary of Defense, United States, "The US Rebalance Towards the Asia-Pacific," Keynote presentation to the First Plenary Session, The 11<sup>th</sup> IISS Asian Security Summit The Shangri-La Dialogue, Singapore, June 2, 2012. <http://www.iiss.org/conferences/the-shangri-la-dialogue/shangri-la-dialogue-2012/speeches/first-plenary-session/leon-panetta/>.

[vii] Quoted in Ralph A. Cossa, "US 1, China 0," *PacNet Newsletter* #35, June 6, 2012.

[viii] Cossa, "US 1, China 0."

[ix] Quoted in "Response to Ralph's Cossa's Pac Net on the Shangri-La Defense Dialogue," *The Nelson Report*, June 8, 2012.

## **The Shangri-La Dialogue 2012**

Written by Carlyle A. Thayer

[x] William Choong, "Vital to have more openness at Shangri-La Dialogue," *The Straits Times*, June 3, 2012. [http://www.straitstimes.com/BreakingNews/Singapore/Story/STIStory\\_806860.html](http://www.straitstimes.com/BreakingNews/Singapore/Story/STIStory_806860.html) .

[xi] John Chipman, Director-General and Chief Executive IISS, Opening Remarks, The 11<sup>th</sup> IISS Asian Security Summit The Shangri-La Dialogue, Singapore, June 1, 2012. <http://www.iiss.org/conferences/the-shangri-la-dialogue/shangri-la-dialogue-2012/speeches/opening-remarks-and-keynote-address/dr-john-chipman/>.

[xii] Choong, "Vital to have more openness at Shangri-La Dialogue."