

## History Rhymes: Lessons from Indo-Pacific Competition and Confrontation in the Gray Zone

### Description

“I said that I was accustomed to hear that statement [“peaceful rise”], and that it meant, and was not infrequently stated to mean, that it would be peaceful if all Japanese demands were conceded, but that if they were refused a different situation would arise.”

These undiplomatic words were spoken eighty years ago by the Australian diplomat [Sir Jon Latham](#). However, they might conceivably have been uttered in recent weeks about another Asian power. Statements like these remind us that there is nothing new about states competing and cloaking such competition in placating words that belie their actions. New terminology, such as “gray zone,” can confuse if not given appropriate historical context. History rhymes, and thus can offer lessons as to how competition in Asia manifests, how a sense of confrontation may develop in the future, and how extremely costly conflict might be avoided.

This piece addresses the history of the period of competition that Australia experienced before Japan escalated into a state of “confrontation” in mid-1940, prior to then making its stunning expansion southwards in December 1941. Such history echoes today in the actions of the Chinese Communist Party (CCP), its economic neo-colonialism in the form of debt-trap diplomacy, and its synchronization of efforts under the [One-Belt, One-Road](#) narrative of dual-use economic-military infrastructure. The implication is both cautionary and sobering. Competition in the Asia-Pacific has happened before, and historical examples like these can inform today’s foreign policy.

The Japanese strategic narrative of the late 1930s argued for the liberation of oppressed Asians from the yoke of colonial imperialism, with the siren song of a “[Greater East Asian Co-Prosperty Sphere](#).” This narrative tapped into unsettled nationalist discontent that occasionally flared into insurrection. Nationalist groups from Burma, French Indochina, and the Netherlands East Indies saw hope in the Japanese narrative and organized [underground networks](#) to contest and subvert their existing systems of government.

Japanese military planning included the use of "Fifth Columnist" activities in South-East Asia, termed [Kame, or "Tortoise."](#) In the words of a 1945 Allied intelligence report, preserved in the Australian War Memorial Archives, these activities were:

[I]ntended to combine local organisations which had subversive aims or tendencies with a superior organisation whose task it would be to coordinate their activities throughout the whole area of operations. In their plan of expansion in G.E.A. [Greater East Asia], the Japanese fully realized the great tactical value of this doctrine "Asia for the Asiatics" and the whole forces of their propaganda was turned to the fullest exploitation of this doctrine among the peoples of this area.

In Japan, as now in China, the narrative was one of leveraging ethnic and cultural affinity to subvert target governments from within. The *Kame* plan echoes with how Beijing seeks a "One China" narrative, to the detriment of ethnic Chinese who are facing [extra-judicial policing and coercion globally](#).

As early as 1937, Australia felt the threat of Japanese economic penetration both directly, through ultimately denied [iron ore interests in Western Australia](#), and indirectly, from [fishing vessels throughout the Indo-Pacific that would encroach upon Australia's territorial waters](#). Japanese enterprises also invested in the nearby islands of Portuguese Timor (oil, pearling, and coffee) and French New Caledonia (nickel). Australian policymakers feared that the economic dependence these territories had on such exports might give the Japanese political [leverage for concessions](#)—a concern that today might be termed export market coercion or debt-trap diplomacy.

The Japanese economic front invested in dual-use infrastructure that might prove valuable in a conflict. The South Seas Development Company (*Nanyo Kohatsu Kabushiki Kaisa*) had built port facilities in Palau (then Japanese) in May 1939, including two oil tank installations (capacity 10,000 tons), according to documents in the Australian War Memorial Archives. The Japanese also pursued oil, mining, and shipping lines, and airfield concessions in Portuguese Timor, heralding alarm in Canberra and triggering Australian and British competition for such concessions. [Aggressive diplomacy in 1939](#) sought a deal: "in return for Japan's guaranteeing Macao, the Portuguese would adhere to the Anti-Comintern Pact, recognize [Japanese-controlled] Manchukuo, and grant Japan [an] air base in Timor." A year later, the Japanese bluntly warned they would [foment trouble in Macao](#) unless Japanese concessions in Timor were satisfied.

Such behavior echoes in today's aggressive "wolf-warrior" diplomacy of veiled threats, subversion as a punishment, and trade in dubious promises. This behavior didn't work in 1940, and

it's no more effective today. Senior policymakers ranging from the [president of the Federated States of Micronesia](#) to the [former minister of foreign affairs of the Republic of Korea](#) are calling out the erosion of their sovereignty that comes with Chinese political bullying, and resistance to Chinese lobbying is the net result.

The West understood the threats Japanese infrastructure and economic investment posed, but the Portuguese Prime Minister did not see such [engagement as a threat](#)—a difference of viewpoint that opened a schism with the Portuguese Minister for Colonies. [The British consul-general in Batavia](#) reported to the British Secretary of State for Foreign Affairs Anthony Eden in July 1937:

If Japan puts into impecunious Portuguese Timor the capital suggested, harbour, godown and other improvements are likely to follow, and she might even, before long, obtain a permanent hold on that colony analogous to the position she has achieved at Davao, in Mindanao! It must, too, be borne in mind that Timor would make an admirable base for those Japanese fishery activities [including poaching in Australian waters] which have so greatly increased in the last year or two and have become so embarrassing to the Governments both of Australia and of the Netherlands East Indies.

The Japanese practice of leveraging commercial fronts for political and intelligence purposes dates at least as far back as the Mukden incident of 1931, and the use of [Japanese journalists as part-time intelligence agents has also been documented](#). The Japanese intelligence network also included, from at least 1937, the equipping of [Japanese fishing fleets with wireless radio](#) to report from the Persian Gulf to New Zealand to the Japanese Admiralty. It is thus not unreasonable to view such Japanese fishing fleets as a maritime militia.

Examining such Japanese gray zone activities highlights how Japan was effectively deterred from direct military action in the 1930s against Britain, France, Portugal, and the Netherlands, all of whom held colonial possessions that Japan coveted, or had the ability to [disrupt its plans for the dominance of China](#). Incremental gains were all Japan could hope to achieve without triggering a crisis. Likewise, Western nations were deterred from contesting Japanese military might in Asia, recognizing such action might risk the loss of Hong Kong or North Borneo, or [might even spiral into a broader conflict](#) (as it subsequently did) involving Australia and New Zealand.

It is important to recognize that the West thus also decided to compete through gray zone activities, recognizing that keeping Chiang Kai-Shek fighting in a proxy war against Japan might limit Japan's [striking powers against any part of the British or French Empires](#). • US firms were discouraged from extending credits to Japanese firms through an informal direction to handicap the Japanese

economy. Ports across the British empire imposed a routine delay of twenty-four hours to Japanese shipping. Furthermore, when required in [September 1940, Australia intervened in Noumea](#) to prevent a rebellion from installing a pro-Japanese government and thus securing nickel output for Japanese industry.

Competition transitioned into something sharper in June 1940, [likely influenced by Germany's stunning success](#) in Europe. A Japanese confrontation with the West arguably began with semi-diplomatic threats to close the Burma-China and Hong Kong Frontiers and to withdraw all British troops from Shanghai. British support to their Chinese proxy was proving a marked irritant to the Imperial Japanese Army, and it was with this context that the British chose to escalate in the form of [Mission 204](#): A training mission to raise Chinese guerrilla warfare battalions to fight the Japanese. The [strategic implications](#) of this confrontation were well understood: "unless [the] British cease assistance to Chinese Government, Japanese forces will seize Indo-China, Netherlands East Indies, and Hong Kong."

Deterrence ultimately failed in 1941 for multiple reasons. Competition escalated into a confrontation because vital Japanese interests (the dominance of north-east Asia and access to essential mineral resources) were threatened, whereas the United States and Britain believed that economic warfare would [bring Japan to her senses](#). Efforts to defuse tensions—namely through British suspension of supplies through Burma—were exploited by Japan, which never intended to negotiate in good faith. Confrontation gave space for ego and nationalistic fervor to overtake rationality. Ultimately, the threat of consequence carried little meaning for European powers clearly beset by German expansion. At the same time, the Japanese misunderstood and underappreciated America's own willingness to mobilize for war.

The lesson today is that One-Belt, One-Road is a similar program of infrastructure development through which economic coercion and dual-use infrastructure can support war plans. State-owned enterprises and large-scale electronic surveillance both conduct and expand the channels through which intelligence can be collected. Economic coercion creates fissures that undermine domestic unity. Fissures induced by corrupt officials or sympathetic media outlets weaken a domestic counter-narrative. Such political warfare levers might also be used to create the perception of "fifth columnists" among the ethnic Chinese population in domestic constituencies. These tensions fray the social fabric, often in a manner [disproportionate to the actual threat of subversion](#).

The less obvious lesson is that, at present, the CCP has been and is being deterred from undertaking military adventurism, just as Japan was contained in the late 1930s. While the West recently recognized that it is in competition, the CCP has maintained an incremental struggle for a century. Communicating unambiguously that the West will confront certain gray zone activities may serve to

prevent rational actors from being sidelined from national strategy conversations, but confrontation that looks like containment may also prove counterproductiveâ??as it did with Japan.

Western nations must also recognize that other forms of gray zone activities are self-defeating, such as bellicose diplomacy and [rushed One-Belt, One-Road projects](#). It is in Western interests not to deter such activities, but instead patiently highlight such mistakes in the application of soft power. Just as Japan became a pariah state through aggressive demands and its subsequent post-occupation suppression of nationalist movements, China will likewise mobilize global disapproval through continued â??[wolf warrior](#)â?? antics and its repressive policies against non-Han Chinese minorities.

The confrontation with Japan became a conflict due to the distraction created by a war in Europe and Japanâ??s under-appreciated subversive activities. We should learn from this history so we can avoid repeating it.

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