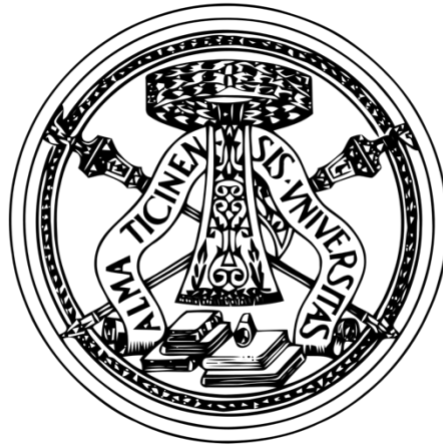


Walking the Strategic Tightrope: Australia and the Role of the Middle Power



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Abstract

The role of the middle power in modern-day geopolitics is characterised by pragmatism and sacrifice, where getting the optimal deal is critical in maintaining the state's best interests and in maintaining its strategic relationships with superpowers. Australia is no exception to this trend, as it seeks to balance a heavily embedded economic relationship with China with its military commitments to the United States and NATO allies, as the former and the latter battle for global supremacy.¹ Australia is subsequently placed at the centre of this tug-of-war, and must navigate its way through the difficult task of towing the line between two parties that offer it equally important things that facilitate its prosperity. It is therefore critical that Australia does its best to balance these two parties, so as not to lose the best of which either side can offer. This, however is no easy task, as the US and China often come to blows over a variety of issues, in which many other states are also forced to pick a side. Issues such as that of Taiwan's sovereignty and the recent signing of the AUKUS agreement have placed a strain on this balancing act that Australia has been performing, and the tightrope has consequentially become thinner. This thesis will seek to analyse and answer how exactly Australia has been playing this delicate situation, and how middle powers can ensure their own prosperity in spite of potential conflict between superpowers.

¹ Zaidi, "American Global Supremacy Under Threat? The Chinese Factor."

Chapter I: Australia in the Cold War

1.1: Perspectives on Australia's Involvement in the Cold War

To understand how Australia got into the position it finds itself in today, it is important to analyse historical factors, particularly the Cold War, as its various conflicts largely dictated Australia's current position in modern-day geopolitics. As a staunch supporter of the US and NATO Allies, Australia was an active participant in major Asian Cold War developments such as the Korean War, the Malayan Emergency, the Indonesian Confrontation, and the Vietnam War.²

Along with the US' rise as a global superpower, came the UK's collapse as one, therefore the best place to start for this subject would be in the immediate years following the end of the Second World War, in 1951, to be exact, when the ANZUS treaty was signed. This treaty signified the end of reliance primarily on the UK for Australia's protection, and a shift to the US as Australia's main security guarantor, this would continue throughout the Cold War as a cornerstone of Australia's defence policy and persists into the present day.³ As effectively a military extension of the US following the signing of the treaty, Australia immediately became involved in the conflicts surrounding the Cold War. The first of which was the Korean War, where effective almost immediately, the Australian Army deployed ground troops into combat.

Debate amongst Australia's scholarly community on Australia's Cold War role never really quite settled on a consensus. At the heart of the dispute there was a simple question: were Australian governments responding to actual strategic dangers, or were they rather largely influenced by ideological instincts and the attractiveness of making good on their alliances? Many accounts which

² McLean, "Australia in the Cold War: A Historiographical Review."

³ Ibid.

dominated the field for much of the decades following WWII, arrived at the conclusion of strategic rationality. In their point of view, the state of the post-war world genuinely was cause for concern. Events such as the civil war in China, the sudden outbreak of war in Korea, and a myriad of insurgencies spreading across Southeast Asia all were taken as signals (or so it seemed) toward an expanding communist threat. Australian leaders who sought closer security arrangements with Washington were not, according to this perspective, acting out of panic or simple ideology, they were responding sensibly to Britain's evidently growing inability to maintain its pre-war defence commitments in the Asia-Pacific.⁴ ANZUS, as well as the decisions to commit forces to Korea and Vietnam, are understood within this framework not as gestures of imperial loyalty or ideological solidarity, but as deliberate and calculated efforts to anchor Australian security in a region that seemed to be coming apart.⁵

Some instead pushed back hard against this comfortable narrative. The communist threat to Australia, they argued, was largely a fiction or at least a gross exaggeration that successive governments found politically convenient. Canberra talked up the danger because doing so served a purpose in that it made the American alliance easier to sell, kept the electorate anxious enough to support interventionist policies, and gave the government a ready tool for discrediting its domestic opponents.⁶ Vietnam fits this reading particularly well. Australian troops were not sent because the region posed any genuine danger to Australian shores; but rather they were sent because Washington expected it, and because being seen as an active contributor was the price of American goodwill. Many accounts also note how thoroughly Cold War language infiltrated domestic politics, providing cover for the suppression of dissent and making opposition to government policy look at best naive and at worst treasonous. Some more modern historians have since tried to move past

⁴ David Lowe, *Menzies and the "Great World Struggle": Australia's Cold War, 1948-1954*, Illustrated (UNSW Press, 1999, 1999), 70-76.

⁵ McLean, "Australia in the Cold War: A Historiographical Review."

⁶ Don Watson, "Rabbit Syndrome: Australia and America," *Quarterly Essay* 4, no. 4 (2001): 1-13.

what they see as a somewhat redundant argument between these two positions. Their contention is that the debate sets up a false choice. Policymakers in Canberra were not simply either rational actors responding to a dangerous world or cynical operators manufacturing threats for domestic consumption, they were, in the ordinary way of governments, something inbetween.⁷ The anxieties about Asian instability certainly came from a genuine place, even when the conclusions drawn from them were questionable. The ideological commitment to containing communism was heartfelt, even when it led Australia into difficult corners. This chapter will argue that Australia's Cold War engagement was not simply a fraud, but that it would also be unwise to fully explain it through strategic logic alone. The strength of the American alliance, Australia's eagerness to commit forces to conflicts in relatively far-away lands, and the rhetoric that characterised much of the domestic debate, can be placed equally down to ideology and alliance politics as it did to any clear assessment of where the real dangers lay.

1.2: Early Cold War Alignment

For most of its early history as a nation, Australia did not really have a defence policy in any meaningful sense, it just had the UK. The expectation that the UK would ultimately underwrite Australian security was so deeply embedded that it barely registered as an assumption at all.⁸ It was simply the way things were. Singapore was supposed to be the physical expression of that guarantee, as a heavily fortified base projecting British naval power across the potential conflict zones to Australia's north. The fall of Singapore to the Japanese army in February 1942 therefore cut through decades of complacent thinking in a simple matter of days.⁹

⁷ David Mclean, "From British Colony to American Satellite? Australia and the USA during the Cold War," *Australian Journal of Politics and History* 52, no. 1 (2006): 1–16,

⁸ Matthew Boxall, "Closing the Gap: Force Expansion in an Age of 'Come-As-You-Are' Conflict" (Monograph, 2016).

⁹ Geoffrey Till, "Churchill, Strategy and the Fall of Singapore," in *Churchill and the Lion City* (NUS Press, 2011), 81–107.

The speed of Singapore's fall was perhaps as damaging as the fall itself. A fortress presented to Australians as essentially impregnable was overrun so quickly that there was no time to produce any kind of narrative around it. The defeat exposed something that many in Canberra had perhaps sensed but never quite confronted: that when the UK's own position came under serious pressure, Australian security was not going to be the priority.¹⁰ Prime Minister John Curtin's pivot toward Washington was a direct response to this realisation. His language at the time was unusually frank for a wartime leader dealing with a sensitive alliance. He made clear that Australia would orient itself toward America without guilt or sentiment about the older relationship. Many have therefore read Singapore not as the origin of Australian strategic anxiety but as the moment it could no longer be ignored.¹¹

What came after the war gave little help to the problem, in fact it even compounded it. By 1945, at the end of a gruelling war, the UK was a country in serious difficulty. The costly price of war had severely drained its finances, and the reconstruction effort at home placed enormous demands on whatever resources remained. Maintaining an effective military presence across the Asia-Pacific was simply beyond what the UK could realistically sustain at that point, and the slow withdrawal from east of the Suez Canal over the following decade confirmed this uncomfortable reality. Australian policymakers were watching all of this unfold at exactly the moment the regional environment was becoming harder to read.¹² The establishment of the PRC in 1949 and the Korean War the following year produced genuine alarm in Canberra, the kind that comes from watching

¹⁰ Ibid.

¹¹ Ibid.

¹² John Curtin, The Task Ahead, *The Herald*, December 26, 1941, <https://john.curtin.edu.au/pmportal/text/00468.html>.

events move faster than your strategic framework can accommodate.¹³ In the space of a few years, it became apparent that Australia had to seek alliances elsewhere.

The global trend of decolonisation accelerated the sense of disorientation from an Australian perspective. The European empires that had provided an organisational basis for centuries in Asia began dissolving after the end of the war, and the process was imaginably rather untidy. Newly independent governments inherited contested borders, unresolved ethnic and religious tensions, and Western state institutions that had been designed for administration rather than self-governance. Australian leaders looking at this landscape did not see an Asia finding its feet, they saw conditions that communist movements were well-placed to exploit, and they were not entirely wrong about that.¹⁴

By 1951, the ANZUS Treaty expressed something that had been taking shape for years. It was not a sudden embrace of American power so much as the formal acknowledgement of a dependency that had been building since the fall of Singapore. Britain had experienced a rapid decline, the region had grown more volatile, and the United States rose to become the only Western contender with firstly the capacity, and secondly the strategic interest to fill the space. The treaty simply put a signature on what events had already decided.

¹³ Andrea Benvenuti, "Australian Reactions to Britain's Declining Presence in Southeast Asia, 1955–63," *The Journal of Imperial and Commonwealth History* 34, no. 3 (September 2006): 407–29, <https://doi.org/10.1080/03086530600826140>.

¹⁴ Andrew Kelly, "Crisis in Southeast Asia," in *ANZUS and the Early Cold War: Strategy and Diplomacy between Australia, New Zealand and the United States, 1945-1956* (Open Book Publishers, 2018), 117–34.

1.3: The ANZUS Treaty

ANZUS did not arrive as much of a surprise to anyone who would have been tracking geopolitical events of the time. The treaty took shape during a particularly anxious stretch of Australian foreign policy, compressed between wars in China and Korea, and growing unease about what a rehabilitated Japan might eventually mean for regional stability. The San Francisco Peace Treaty negotiations brought matters to a point. Australian PM Robert Menzies and Foreign Minister Percy Spender, who were the figureheads of post-war Australian diplomacy, were not going to endorse a lenient settlement with Japan without getting a sweet deal from Washington first. What they wanted was a formal security commitment, and they pushed for it with enough commitment and dedication that the US eventually accepted the wishes of the Australian delegation. The treaty that resulted was, for Canberra, the natural culmination of a process that had been underway since Singapore exposed the limits of British protection a decade before.¹⁵

The fine print of ANZUS was, however, rather less robust than its public reception sometimes suggested. Unlike NATO's Article 5, the treaty contained no automatic obligation to come to a fellow member's defence.¹⁶ Australian representatives knew this perfectly well, but saw it as a win regardless.¹⁷ What they emphasised instead was the political weight of the commitment, being the fact that the United States had formally declared an interest in Pacific security and that Australia was explicitly part of that arrangement. As a deterrent the treaty evidently functioned reasonably

¹⁵ Neville Meaney, "Look Back in Fear: Percy Spender, the Japanese Peace Treaty and the ANZUS Pact," *Japan Forum* 15, no. 3 (June 2003): 399–410,

¹⁶ The Parties agree that an armed attack against one or more of them in Europe or North America shall be considered an attack against them all and consequently they agree that, if such an armed attack occurs, each of them, in exercise of the right of individual or collective self-defence recognised by Article 51 of the Charter of the United Nations, will assist the Party or Parties so attacked by taking forthwith, individually and in concert with the other Parties, such action as it deems necessary, including the use of armed force, to restore and maintain the security of the North Atlantic area.

¹⁷ McLean, "Australia in the Cold War: A Historiographical Review."

well on those terms, as Australia's sovereignty was never threatened following WWII, even if the precise boundaries of the US' obligations remained productively unclear.

The alliance also generated its own demands. Maintaining American confidence required more than signing a document and waiting for the benefits to arrive. Australian governments during the 1950s and 1960s understood that Washington's goodwill needed to be earned on a fairly continuous basis, and that military contributions to shared endeavours were among the more effective ways of earning it. Korea, the Malayan Emergency¹⁸ and Vietnam all reflected this understanding to varying degrees and will be discussed further later in this chapter. The strategic case for each commitment had its own logic, but running alongside it, and sometimes more influential than it, was the alliance case that Australia needed to be seen pulling its weight, and that a reputation for being reliable was itself a strategic asset worth maintaining.

From a broader perspective, ANZUS became something beyond a security guarantee. It tied Australian foreign policy firmly to one side, embedding the country within the Western alliance system and aligning its strategic instincts with the American project of containing communism across Asia. These were not simply positions adopted for instrumental reasons and then discarded when circumstances changed. They hardened into assumptions, shaping how Australian policymakers read the region and what policy options they were willing to consider. The Cold War eventually ended, but the habits of mind it had produced through the ANZUS relationship proved considerably more durable.

¹⁸ A guerrilla war fought between Communist independence fighters and the military forces of the Federation of Malaya and the Commonwealth. It took place from 1948-1960

1.4: Australia in the Korean War

Korea was the first example of Australian Cold War policy put to the test, where what were just words previously then became action. When North Korean forces crossed the 38th parallel in June 1950, Australia acted swiftly to commit naval and air support, with ground troops subsequently following.¹⁹ Australia was among the quickest allies to respond, and that speed was itself a signal. This was a government that had been watching regional developments with genuine unease and had drawn a fairly firm conclusion, that being seen alongside Washington when it counted was not optional.²⁰

The Menzies government had little difficulty framing the conflict in ideological terms. North Korea's invasion came barely twelve months after the Communists had taken power in China, and to Australian leaders already disposed to read regional events through the lens of coordinated communist expansion, the two developments seemed connected. The American strategy of containment, which Australia had quietly adopted as its own, pointed in one direction. Letting aggression go unanswered in Korea, the argument went, would only invite more of it elsewhere across a region already struggling to find stable footing after the collapse of colonial order.²¹

Yet the ideological explanation only goes so far. It should be noted that Korea coincided with the final stages of negotiation over what became ANZUS, and that Australian leaders were not oblivious to this timing. Showing up in Korea was, among other things, a way of making the case for why Australia warranted a formal American security commitment. The military contribution carried a diplomatic purpose alongside its strategic one, and the two were never cleanly separable.

¹⁹ Thomas Richardson, "The Korean War," in *Fighting Australia's Cold War: The Nexus of Strategy and Operations in a Multipolar Asia, 1945–1965* (Canberra: ANU Press, 2021), 73–92.

²⁰ Ibid.

²¹ Ibid.

The consequences of the Korean commitment extended well past the armistice of the conflict. It planted a precedent that shaped how Australian governments approached subsequent Cold War commitments, with Vietnam being the most obvious among them. The willingness to send forces into a conflict where no direct threat to Australian territory existed, justified through a lens of both containment of Communism and alliance obligation, became something close to a default position for Australia throughout the Cold War. Korea was where this default was first established, and its hold on Australian strategic thinking proved difficult to shake.

1.5: Forward Defence Strategy in Southeast Asia

The idea behind forward defence was straightforward enough, even if its implications proved anything but. Australian governments through the 1950s and 1960s operated on the conviction that sitting behind oceanic distances and hoping for the best was not a pragmatic course of action. What happened in Southeast Asia genuinely mattered to Australia's national security, not in an abstract manner or in a distant future, but concretely and soon. Communist movements gaining ground in the region were treated as threats to Australian security even when they were thousands of kilometres from the continent, and the policy response was to get involved early rather than late.

This outlook drew on a set of beliefs that Australian policymakers held with varying degrees of sincerity but consistent public conviction. The domino theory, brought in from the US and applied to the Southeast Asian context, suggested that a communist takeover in any one country would loosen the footing of its neighbours and set off a deterioration that would be hard to stop.²² With

²² Michael A Woodley, Mateo Peñaherrera-Aguirre, and Matthew A Sarraf, "Domino Theory through the Lens of Human Evolutionary Ecology," *Evolutionary Psychological Science* 10, no. 1 (January 10, 2024): 19–32, <https://doi.org/10.1007/s40806-023-00378-9>.

the domino theory in mind, it was evident that Australia could not defend itself without outside help. As a relatively small population spread across a large continent, sitting at the edge of a region undergoing rapid and unsettling change, Australia needed powerful allies. Keeping those allies required being useful to them. Military contributions abroad were accordingly dressed in the language of national defence rather than allied obligation, though the distinction was often thinner than the rhetoric suggested.²³

Malaya offered the first proper test of these ideas. The Malayan Communist Party's armed insurgency against British colonial authority from 1948-1960 drew in Australian air, naval and ground forces. Unusually for Cold War conflicts in Asia, the outcome of this conflict was relatively redundant. The insurgency was defeated, and the US-allied governments involved allowed themselves a degree of satisfaction that was not entirely unwarranted. For Australia, the result seemed to confirm what forward defence assumed; that communist movements could be beaten through sustained allied effort, that early commitment produced better results than delayed response, and that Commonwealth military cooperation remained practically valuable as well as symbolically ideal.²⁴

The Indonesian Confrontation proved to be a further test of the Forward Defence Strategy.

Sukarno's campaign against the newly formed Federation of Malaysia between 1963 and 1966 was not a communist insurgency in any straightforward sense. His objections to Malaysia were broadly nationalistic, as he suspected that Malaya represented a British-supported colony that was fighting to preserve Western influence in the region, and his methods ran to irregular incursions and cross-border raids rather than ideological subversion. Australian policymakers were nonetheless alert to the domestic strength of the Indonesian Communist Party and to the possibility that prolonged

²³ McLean, "Australia in the Cold War: A Historiographical Review."

²⁴ David Lee, *Search for Security* (Allen & Unwin Australia, 1995), 127–33.

instability might eventually produce a political outcome unfavourable to Western interests.²⁵ The confrontation was brought within the containment framework on those grounds, and Australian forces were deployed to Borneo in support of Britain and Malaysia as the situation worsened. The episode underlined something Malaya had already suggested; that forward defence was coalition warfare by another name, and that its practical operation depended entirely on the quality of the alliance relationships underpinning it.²⁶

What emerged across these years was a strategic culture in which domestic defence and regional engagement had become quite difficult to separate. ANZUS tied Australian planning to American priorities in the Pacific. SEATO placed Australia within a collective framework that treated each regional disturbance as a local expression of a global contest. Together these arrangements made it almost automatic for Australian governments to reach for a military contribution when stability somewhere in the region appeared to be cracking. The question of whether a given conflict actually threatened Australian survival became a question that was increasingly rarely posed. It tended to get absorbed into the broader logic of containment, where the connections between distant events and Australian security were assumed rather than needing to be proved.²⁷

Up until this point, criticism of this approach remained relatively limited within domestic discourse. In hindsight, the concern that Australia was locking itself into a strategic posture determined more by allied expectations than by clear-eyed national interest can certainly be argued, but at the time was an opinion not held by many. Vietnam changed that. But before Vietnam arrived to complicate everything, forward defence held the field largely unchallenged, providing Australian governments

²⁵ Paul Dibb and Richard Brabin-Smith, "Indonesia in Australian Defence Planning," *Security Challenges* 3, no. 4 (November 2007): 67–93.

²⁶ Peter Edwards, *Learning from History : Some Strategic Lessons from the "Forward Defence" Era* (Barton, Act, Australia: Australian Strategic Policy Institute, May, 2015).

²⁷ Ibid

with both a strategy and a set of practical habits that shaped the country's military and diplomatic engagement across the region for almost two decades.

1.6: The Vietnam War

Vietnam was where a decade's worth of Cold War assumptions were put under real pressure, and where many of them buckled. The commitment crept in gradually, as a few hundred military advisers went to South Vietnam in the early 1960s to work alongside government forces against the National Liberation Front, and for a while the arrangement attracted little public notice. Then American involvement accelerated, and Australian policy moved alongside it.²⁸ Menzies announced combat troops in 1965, making the case in terms that at that point Australians would have already been accustomed to; Southeast Asia was under communist pressure which threatened regional order, and regional order was something Australia had a direct interest in defending.²⁹ It was the same logic that had involved Australia in Korea Malaya, and Indonesia. By the end of the War, more than 60,000 Australians had served in Vietnam. At the same time, however, the war exposed deep divisions within Australian society and generated growing criticism of both the forward defence doctrine and the country's close strategic dependence upon the United States, with certain scholars even defining it as "strategic self-destruction".³⁰

On the ground, Australian forces continued to fight valiantly alongside American forces in considerable numbers. The most decisive moment in shifting public opinion for involvement in Vietnam came in August 1966 at the battle of Long Tan. A company of around a hundred

²⁸ Laura M Seddelmeyer, "'Distinctly Australian Interests': Australian Strategy and the Vietnam War," *Australian Journal of Politics & History* 71, no. 3 (April 1, 2025), <https://doi.org/10.1111/ajph.13052>.

²⁹ Ibid.

³⁰ Greg Lockhart, "The Minefield: An Australian Tragedy in America's Vietnam War," *The Asia-Pacific Journal* 5, no. 6 (June 7, 2007): 1–8.

Australians ran into a force many times their size during a rainstorm and held their ground for hours until relief got through. While being a tactical victory, the battle lodged itself permanently in Australian memory as the most profound episode of the country's Vietnam experience, taken as evidence that Australian soldiers had performed with real distinction under conditions that could easily have gone the other way. It must be noted that this was the first war widely televised around the globe, so despite some military successes, the horrors of war were broadcast to a wide audience who began to grow apprehensive about Australia's involvement. Despite this, the war in general continued going badly regardless, only fuelling further anti-war sentiments.³¹

It wasn't just the sporadic military success that influenced Australians though, back home the mood was shifting, and conscription played a large part in that. Drafting young men through a birthday ballot to fight in a war that increasing numbers of Australians were struggling to see the point of generated the kind of anger that does not stay confined to university campuses, but becomes diffused throughout society. Students were visible and vocal, but the opposition spread well beyond them into trade unions, church networks and large parts of the labour movement. By the late 1960s public demonstrations against the war were happening regularly, and the Moratorium marches of 1970 brought out crowds in large numbers. As aforementioned, television broadcasts only exacerbated the societal unrest, as it had delivered footage that made the official narrative of steady progress increasingly difficult to sustain. People could see what the war actually looked like, and what they saw did not match what they were being told.³² As a result, Whitlam won the 1972 election and moved quickly to end conscription and bring home the forces that remained. Saigon fell in April 1975 and whatever remained of the containment argument fell with it. The war proved undoubtably to be a failure. Furthermore, the dominoes that were supposed to topple across

³¹ Ian McNeill, "Reflections on Long Tan," in *To Long Tan : The Australian Army and the Vietnam War, 1950-1966* (Allen & Unwin in association with the Australian War Memorial: ALLEN & UNWIN, 1993), 358–65.

³² Ann-Mari Jordens, "Conscientious Objection and the Vietnam War" (Canberra: National Library of Australia, September 1989).

Southeast Asia did not behave as predicted. The enormous investment of Australian blood and money had produced a communist victory anyway, and Australia had contributed to an effort that ended in precisely the outcome it was designed to prevent.

The consequences for Australian strategic thinking were considerable. The American alliance came through the period intact at the official level, sustained by bipartisan support that Vietnam had dented but not broken.³³ Forward defence was instead in worse shape. The experience generated a prolonged internal debate about what Australian security actually required and how it should be pursued, a debate that worked its way through the defence establishment over the following decade and eventually produced the defence of Australia concept. The core insight driving that shift was that committing forces to distant conflicts on the basis of alliance solidarity and domino theory projections was not an adequate substitute for a clear-eyed account of what Australian strategic interests actually were and where they genuinely lay.

1.7: Cold War Relations With China

In 1972, President Nixon visited China, ending years of diplomatic isolation between the two states. Australia went one step further, and recognised the PRC as the ruling party of China, something the US did not do until 1979. This was effectively an admission that Australian foreign policy had been telling itself a story that no longer held together. Since soon after the Civil War in China, the story had gone more or less as follows: the PRC government in Beijing was illegitimate and a threat to Western civil and economic structures, and worked essentially as an extension of a global communist project directed ultimately from the Soviet Union. The ROC government in Taiwan

³³ Hugh Smith, "Conscientious Objection to Particular Wars: Australia's Experience during the Vietnam War, 1965–1972," *War & Society* 8, no. 1 (December 2, 2013): 118–34, <https://doi.org/10.1179/106980490790305694>.

held the legitimate claim to mainland China; and Australia's interests were best served by following the US' lead and keeping the PRC at arm's length.³⁴ It was a feasible story in 1949, however by the early 1970s it had become something closer to a diplomatic fiction that everyone involved was maintaining out of habit rather than conviction. This was seen in the Whitlam Labor government's shift towards normalising relations with the PRC.³⁵

The anxiety behind the original position was not manufactured. The Communist victory in the Chinese Civil War in 1949 arrived at a moment when the post-war regional picture was already unsettling enough without throwing a brand new communist power into the mix. Chinese forces entering the Korean War in late 1950 and pushing UN troops back down the peninsula transformed what had been a generalised concern into something considerably more concrete. In this action, the PRC had shown its hand in that it proved itself to be a government willing to commit military force well beyond its own borders when it judged the situation to warrant it. Australian strategic thought kept that significantly in mind and did not easily let it go, spending the next more than two decades treating China less as a state with its own distinct interests and internal contradictions, but rather as an instrument of Soviet ambition, that was conflictive in nature likely to cause significant disruptions in the region.³⁶

This view was ultimately flawed though, as the Sino-Soviet split did much to discredit this point of view. Through the late 1950s and into the 1960s it became increasingly apparent that Beijing and Moscow were not, in fact, coordinating a unified global strategy. They were both ambitious rivals who would compete for influence and ideological justification in ways that made the perceived

³⁴ Dan Halvorson, "The Cold War and Non-Communist Solidarity in East Asia," in *Commonwealth Responsibility and Cold War Solidarity: Australia in Asia, 1944-74* (Canberra: ANU Press, 2019), 71–101.

³⁵ Gough Whitlam, "Sino-Australian Diplomatic Relations 1972-2002," *Australian Journal of International Affairs* 56, no. 3 (November 2002): 323–36, <https://doi.org/10.1080/1035771022000019660>.

³⁶ David Lee, *Search for Security* (Allen & Unwin Australia, 1995), 127–33.

gigantic communist threat of containment theory look like a huge oversimplification. The framework perhaps for a time was not exactly wrong, but it was becoming less and less useful as a guide to what was actually happening in Asia.³⁷

Nixon's visit to China in 1972 was the moment that made continuing with the old sentiments genuinely untenable. Whatever one thought of the PRC, the political messaging of an American president shaking hands with Zhou Enlai and Mao Zedong in Beijing made the case for non-recognition very difficult to prosecute with a straight face. The argument had always rested partly on solidarity with Washington, and with Washington removing itself from the equation, Australia's rapprochement with the PRC seemed to be justified. Whitlam even had been making the case for engagement well before any of this gave him political cover. His visit to China in 1971 as Leader of the opposition was treated by his opponents as evidence of poor judgment, and at the time they had enough of the political might on their side to make the criticism effective.³⁸ Nixon's opening rendered that criticism largely beside the point. After Labor's election victory in December 1972, Australia moved to establish diplomatic relations with the People's Republic and simultaneously ended recognition of Taiwan, doing so with a speed that reflected thorough preparation rather than improvisation. It is important to note that Australia began the process of recognising the PRC before the US did, this is the first substantial indication of Australia recognising the need to position itself more strategically in the region, instead of following any policy the US would put forward pertaining to China. The recognition meant more than swapping one set of diplomatic credentials for another. It was an acknowledgement that two decades of treating ideological alignment with the US as the ultimate guide to Australian foreign policy had produced a position increasingly disconnected from the realities of the region. Whitlam's argument was essentially that China existed

³⁷ Ibid.

³⁸ Alan Gyngell, "Transitions: The 1970s - China," in *Fear of Abandonment: Australia in the World since 1942* (Melbourne: La Trobe University Press, 2017), 217–23.

and that it most certainly would not be going anywhere. Therefore, building any serious relationship with Asia while refusing to acknowledge its most populous state would have been an exercise that would have proved to be ill-advised.³⁹

Fortunately for Australia, the American alliance came through the episode without structural damage. ANZUS remained at the centre of Australian security thinking, and the Whitlam government made no serious move against it. What changed was the surrounding diplomatic culture, which became more willing to engage with the region on its own terms rather than through the filter of Cold War categories inherited from an earlier and rather different moment. The recognition of China was the single most important where that change became apparent.⁴⁰ This is also the moment in which it becomes evident that with the ever-increasing rise of both China and the US, Australia would in the future be forced to pick sides on a variety of geopolitical and economic issues.

³⁹ Ibid.

⁴⁰ Michael John Davis, "Australian Engagement with China (1972-2018): A Cluster Concept Assessment" (PhD Doctorate Thesis, 2018).

Chapter II: Introduction

2.1: Why is this Study Important?

Australia finds itself in a position that is, to put it very simply, complicated. It is a state whose prosperity depends heavily on selling natural resources to China and whose security depends heavily on its relationship with a country that increasingly regards China as its principal strategic rival. For most of the post-Cold War period these two dependencies coexisted without producing unbearable strain. That period appears to be over as the strain between the two superpowers tightens.

The economic relationship with China is not a minor consideration that can be quietly set aside when strategic imperatives demand it. China has become Australia's largest trading partner by a considerable margin (29.4% of total goods exports globally), absorbing Australian iron ore, coal, agricultural products and a range of other exports at volumes that underpin significant parts of the national economy.⁴¹ It is essentially the cornerstone of the Australian export economy. Investment flows and the broader commercial relationship have deepened this interdependence over decades in ways that are not easily reversed without cost. When Beijing has chosen to demonstrate its displeasure with Australian policy through trade measures, as it did from around 2020 onward, the consequences have been felt in specific industries and specific communities in ways that made the abstraction of geopolitical competition feel rather more tangible. These strains will be discussed further later in this thesis.

The security relationship with the United States pulls in a different direction. Australia's alliance commitments, which are institutionalised through ANZUS and deepened through intelligence

⁴¹ "Australia's Trade in Goods & Services" (Department of Foreign Affairs & Trade, January 2026), <https://www.dfat.gov.au/sites/default/files/australia-goods-services-exports-imports-2025.pdf>.

sharing arrangements such as the Five Eyes⁴² place it firmly within the Western strategic architecture that the United States has constructed and which China increasingly attempts to disrupt. As Washington's posture toward Beijing has hardened, the expectations placed on allies have sharpened accordingly. The implicit question running through every significant development in the Australia-China-United States triangle is the same one: when push comes to shove, where would Australia actually position itself, considering its complicated strategic interests?

Australian foreign policy operates within this fragile triangle. This study seeks to examine the tensions generated by that triangle and how Australia can manage them. This study is critical in understanding what cards a middle power such as Australia can play in such a delicate situation.

2.2: Objectives of the Research Question

The question this thesis seeks to answer is: to what extent has Australia successfully balanced its economic dependence on China with its security obligations to the United States and its Western allies from 2015 through to the present day? This time frame was chosen because 2015 represents the signing of the China-Australia Free Trade Agreement (ChAFTA), a point that represents the peak of modern relations between the two states. As the decade progressed, the tension between Australia and China became increasingly visible but still manageable, up until the point in which it had become the most prominent problem within Australian foreign policy. Along the way the Sino-Australian relationship passed through deterioration, open confrontation, and a partial and cautious stabilisation. Simultaneously, Australian security commitments expanded through AUKUS and the deepening of the Quad.⁴³ Chinese trade coercion tested Australian export diversification efforts in ways that revealed both the depth of the dependence and the difficulty of escaping it quickly.

⁴² An intelligence-sharing alliance comprised of Australia, Canada, NZ, the UK, and the US

⁴³ The Quadrilateral Security Dialogue – an informal strategic partnership comprised of Australia, India, Japan, and the US

Sitting behind these specific questions are broader but equally interesting ones about middle power foreign policy, and the limits of economic engagement as a stabilising force in conditions of intensifying great power rivalry. Those questions have obvious relevance well beyond Australia, and this thesis aims to contribute something useful to the wider conversation about them.

The period of 2015 onward offers a sufficiently complete arc to demonstrate something meaningful about how Australian foreign policy has handled the central tension this thesis examines. The period is characterised by many swings between optimism and pessimism, beginning at a moment of relative optimism in the bilateral relationship with China and ending at a point where the structural conditions of that relationship have been altered significantly. What happened in between, while always keeping Australia's commitments to the West is at the core of this study.

The choice of 2015 as a starting point reflects the significance of ChAFTA, which came into effect that year after a drawn-out process of negotiation that spanned across the best part of a decade, involving both Labor and Liberal Governments, and ultimately put into force by the Abbott Liberal Government. The agreement was the most visible expression of a period in which Australian governments had convinced themselves, not unreasonably given the evidence available at the time, that deep economic integration with China and close security alignment with the United States could coexist without producing irreconcilable demands.⁴⁴ China was buying Australian natural resources at volumes that underpinned significant parts of the national economy, and in amounts that only China had any need to purchase due to its role as a global manufacturing powerhouse. At the same time, the alliance with Washington was functioning smoothly as it had been for many

⁴⁴ Johni Robert Verianto Korwa, "The China-Australia Free Trade Agreement (ChAFTA): Its Implications for Australia-United States Relations," *Jurnal Ilmiah Hubungan Internasional* 15, no. 1 (July 1, 2019): 41–53, <https://doi.org/10.26593/jihi.v15i1.2981.41-53>.

decades, and the idea that these two relationships might eventually pull in opposite directions was acknowledged in some circles but had not yet become well diffused in Australian political debate.⁴⁵

The years that followed changed that. Unease about Chinese influence infiltrating Australian political life, concern about the security implications of using Chinese technology in sensitive national infrastructure, and an increasingly hardening assessment of Chinese strategic intentions across the Indo-Pacific (particularly concerning the South China Sea) pushed Australian governments toward a series of decisions that progressively prioritised security over the economic relationship it had committed to. In 2018, the Foreign Influence Transparency Scheme Act (FITSA) was introduced, and In 2020, Huawei was excluded from the 5G network in Australia.⁴⁶ Beijing responded with trade measures that fell across a range of Australian export industries with enough weight to demonstrate that the economic relationship was subject to maintaining an effective political relationship between the two states, these measures included bans on wine⁴⁷ and barley,⁴⁸ among other products, which will be further detailed later in this thesis.

Going into the 2020's brings one of Australia's largest ever military commitments, AUKUS, into the picture, along with the Albanese government's subsequent attempt to steady the relationship with Beijing as a result of the treaty without disturbing the strategic implications that AUKUS represented. That combination of deeper security commitment and careful diplomatic stabilisation is in itself an important part of the story, and the endpoint at the present-day allows enough distance to assess what it actually achieved, albeit with AUKUS still being in its early stages at the time of

⁴⁵ Ibid.

⁴⁶ Jennett, "Electronic Spy Agency Chief Says Huawei's Ban to 5G Network Was 'Supported by Technical Advice'."

⁴⁷ WTO, "WTO | Dispute Settlement - DS602: China - Anti-Dumping and Countervailing Duty Measures on Wine from Australia."

⁴⁸ WTO, "WTO | Dispute Settlement - DS598: China - Anti-Dumping and Countervailing Duty Measures on Barley from Australia."

writing. Across the eleven years as a whole, the study has sufficient material to evaluate the level of Australia's success in walking the tightrope that it's found itself on.

2.3: Conceptual Definitions

Two concepts sit at the analytical core of this thesis, and both require some clarification before the argument can proceed. The concepts of economic dependence and security obligations vary enough between authors and theoretical traditions to make definition necessary rather than merely procedural.

This thesis however is not intended to be theoretical in nature, so for the sake of avoiding ambiguity, economic dependence will be defined as a condition in which a state's material prosperity has become sufficiently tied to its economic relationship with another state that disruptions to that relationship would carry serious domestic consequences. The concept is distinct from economic interdependence, which implies a rough mutuality of vulnerability. Dependence refers to something more asymmetrical in that one party has more to lose than the other, and that asymmetry translates into a form of exposure that the more dependent state cannot easily escape. Unfortunately for Australia, it falls firmly into this category, as economic dependence on China is most visible in the concentration of export earnings in commodities, iron ore and natural gas most prominently among them, for which Chinese demand has been the dominant market.⁴⁹ The study examines this dependence by looking at the degree to which Australian economic performance has followed Chinese demand across the period outlined.

Security obligations refer to the commitments and expectations that arise from participation in formal alliances and strategic partnerships. These do not always take the form of legally binding

⁴⁹ "Australia's Trade in Goods & Services" (Department of Foreign Affairs & Trade, January 2026), <https://www.dfat.gov.au/sites/default/files/australia-goods-services-exports-imports-2025.pdf>.

military guarantees. ANZUS, for instance, does not quite rise to the level of the automatic commitment included in NATO's Article 5, to use an example. What alliance membership does produce, regardless of precise legal wording, is a set of expectations about how a state will behave when its partners' interests are involved. Those expectations shape policy choices in ways that can be just as constraining as formal treaty obligations, sometimes more so. For Australia, the relevant commitments run across ANZUS, the Five Eyes, the Quad and AUKUS, each of which carries its own set of requirements and expectations about where Australia stands in the broader contest between Western and Chinese strategic visions for the Indo-Pacific. Of these, AUKUS is the most effective in understanding Australia's position, due to its sheer scale of commitment.

The relationship between these two concepts is where the thesis locates its core analytical problem. Economic dependence and security obligations are not naturally in tension. For much of the post-Cold War period they coexisted in Australian foreign policy without producing anything the political system found unmanageable. What this study seeks to examine is the period in which that comfortable coexistence broke down, and what Australian policymakers actually did when the two parties began pulling in noticeably different directions.

2.4: Methodology and Sources

The research draws on multiple broad facets of evidence, used in combination as neither is sufficient on its own. Trade statistics establish what is materially at stake in Australia's economic relationship with China. Policy documents and official discourse reveal how Australian governments have framed and responded to the pressures that relationship has generated. Finally, scholarly literature offers an educated analysis of Australia's economic and military activities. Bringing them together is crucial in arriving at a more complete picture than any could offer alone.

The statistical material comes primarily from the Australian Bureau of Statistics, as it provides the most comprehensive overview of tangible economic activity. Export and import figures are used to map the depth of Australia's economic exposure to Chinese demand.

The qualitative analysis works across two layers. The first covers formal policy documents and the texts of the agreements and arrangements that have defined Australia's strategic position, with ANZUS, Five Eyes, the Quad and AUKUS being the most prominent ones. The second layer delves more into domestic political discourse, which comprises speeches and public rhetoric that reveal how China's rise and Australia's strategic choices have been narrated for voters at different points across the decade. Both layers are necessary because official rhetoric and formal policy do not always move in the same direction, and the distance between them is often where the most interesting analytical material sits.

Throughout the thesis, sources have been selected for their reliability, institutional standing, and direct relevance to the discourses at hand.

2.5: Structure of the Thesis

The thesis is organised through ten chapters.

Chapter 1 has provided a historical analysis of Australia's involvement in the Cold War, which informs its standing in the modern-day geopolitical climate, and its position in relation to the West and China.

Chapter 2 has introduced the research problem, posed the central question, defined the concepts the analysis depends on, and explained how the research has been conducted.

Chapter 3 establishes the position in which Australia finds itself today, as a middle power reliant on its export economy, and the security arrangements that define its strategic commitments. The chapter works through ANZUS, Five Eyes, the Quad and AUKUS to provide a firm grasp of the foundations of Australia's global role.

Chapter 4 follows the deterioration of the Sino-Australian relationship between 2015 and 2020, which was not a comfortable period. The FITSA legislation, the Huawei 5G ban, and the trade measures Beijing deployed against Australian exports are all summarised within this chapter, as are the attempts by Australian governments to reduce their dependence on Chinese market demand.

Chapter 5 examines AUKUS. With the focus being on how it came to be, what it actually commits Australia to, and what its emergence suggests about where Australian strategic alignment is heading. The main aim of this chapter is to establish whether AUKUS represents a decisive shift or an acceleration of existing trends in Australian foreign policy.

Chapter 6 uses Taiwan as a lens through which to examine Australian strategic positioning more directly. Formal commitment to the One China policy and practical alignment with Western deterrence strategies have been growing harder to reconcile, and this chapter looks at how Australian governments have handled that difficulty as it becomes an increasingly contested issue and regional conditions continue to steadily deteriorate.

Chapter 7 moves through to the post-COVID period, examining how the Morrison Liberal and Albanese Labor governments managed the relative stabilisation of relations with China (at least compared to the years prior), the gradual easing of trade restrictions, and the continuing effort to diversify Australian exports away from their dependence on Chinese demand.

Chapter 8 is the analytical basis of the thesis. It brings together the material discussed in the previous chapters and makes a comprehensive argument about whether Australia has effectively

‘walked the tightrope’ between economic dependence and security commitment in any concrete manner.

Chapter 9 examines what the role of the middle-power is in modern-day geopolitics, and how these states can leverage their positions, bargaining with what they have to consistently achieve the best outcomes for their citizens.

Chapter 10 draws the thesis to a close. It summarises the principal findings, acknowledges what the study could not resolve, and offers some wider reflections on what Australia's experience suggests about the position of middle powers caught between competing great power demands in the modern-day.

Chapter III: Australia's Position in the Indo-Pacific

3.1: Australia and the Role of the Middle Power

This thesis will follow the post-modern interpretation of the middle power theorised by Cooper, Higgott and Nossal,⁵⁰ which moves away from traditional middle power definitions based in size, power, and geographic location. Instead they characterise middle powers based on what they actually do in contemporary geopolitics, in the ways they produce and interact with the world around them.⁵¹ As opposed to adopting an approach that examines Australia only based in the traditional school of thought, this approach is more effective and is particularly valuable when examining the case of Australia, as its natural resources are greatly valued globally, subsequently putting it in a position where it can bargain even with larger powers.

The value of the middle power concept lies not in its precision but in its capacity to capture a particular strategic orientation, the belief that influence can be generated through diplomacy and coalition building rather than through simple military or economic coercion. This doctrine has been central to Australian foreign policy and it has held this belief for much of its modern history.⁵² The belief was not always justified. In the early Cold War, Australia's foreign policy was largely derivative of British and later American priorities. The notion that Australia might chart its own course, build its own coalitions and pursue its own agendas emerged only gradually. It reached its fullest expression in the 1980s under Foreign Minister Gareth Evans.⁵³

⁵⁰ Cooper, Higgott, and Nossal, *Relocating Middle Powers : Australia and Canada in a Changing World Order*.

⁵¹ Ibid.

⁵² Carl Ungerer, "The 'Middle Power' Concept in Australian Foreign Policy," *Australian Journal of Politics & History* 53, no. 4 (November 21, 2007): 538–51, <https://doi.org/10.1111/j.1467-8497.2007.00473.x>.

⁵³ Ibid.

Evans' approach rested on a simple foundation. If Australia could not compete with great powers on material terms, it could compete on creative and procedural terms. It could identify issues that great powers had neglected or could not resolve, it could assemble coalitions of like-minded states, and it could propose institutional solutions that no single state, however powerful, would have proposed on its own.⁵⁴ The Cairns Group can be used as a perfect example of this logic. By organising a coalition of agricultural exporters (almost all of which could be comfortably considered as middle powers), members of the Group forced the United States and the European Community to confront subsidy reform in a way neither had been willing to do unilaterally.⁵⁵

This however was a few decades ago now, and the strategic landscape has changed. Great power competition has returned, and the United States and China view each other as existential rivals more than ever before.⁵⁶ Multilateral institutions have therefore often become battlefields rather than bargaining tables, and middle powers are becoming increasingly more constrained to choose sides. As a result of these dynamics, the space for creative middle power diplomacy has experienced a sharp decline.⁵⁷ Australia's response to this has varied as it attempts to play both sides. At the level of rhetoric, Australian officials continue to affirm the importance of middle power statecraft, speaking of the Quad as a flexible coalition for regional public goods, and AUKUS as a contribution to rules based order.⁵⁸ At the level of material commitment, however, Australia has moved decisively toward the United States. The AUKUS submarines, as well as the intelligence integration and technology sharing are not the typical investments of a state that is trying to

⁵⁴ Gareth Evans, "Australia's Foreign Relations in the World of the 1990s" (November 4, 1991).

⁵⁵ Richard A. Higgott and Andrew Fenton Cooper, "Middle Power Leadership and Coalition Building: Australia, the Cairns Group, and the Uruguay Round of Trade Negotiations," *International Organization* 44, no. 4 (1990): 589–632, <https://doi.org/10.1017/s0020818300035414>.

⁵⁶ Zaidi, "American Global Supremacy Under Threat? The Chinese Factor."

⁵⁷ Taylor, "Australian Agency and the China–US Contest for Supremacy."

⁵⁸ Ibid.

preserve its strategic autonomy. They are the investments of a state locking itself into a long term alliance relationship, and an indication of a material shift towards the US.⁵⁹

So what does this mean for the middle power concept? The uncomfortable truth is that the concept is becoming more stretched and is struggling to keep pace with events. It was developed during a period of relative calm amongst the globe's superpowers, and resulted in a strategic environment in which middle powers had room to move.⁶⁰ Year-on-year, that environment has slowly eroded. The tools of middle power statecraft remain available, but they are now more limited within a structure that heavily constrains what they can achieve. Australia certainly remains a middle power, as its material base as a provider of natural resources is ever-present. But the content of its middle power identity has hollowed out. Where once the term pointed to autonomy and creativity, it now points to managed dependence and damage control.⁶¹ The task for the remainder of this thesis is to trace how that hollowing out occurred, and to assess what remains.

3.2: Australian Exports Overview

In the most simple terms, Australia digs things up, grows things and sells them. In terms of manufactured exports, Australia produces a quite insignificant amount, and high-tech exports are concentrated in a handful of niche firms. Iron ore is the most dominant specific material for export. In 2023 for example, it accounted for 39.7% total mineral export earnings.⁶² The Pilbara deposits in

⁵⁹ Ibid.

⁶⁰ Richard A. Higgott and Andrew Fenton Cooper, "Middle Power Leadership and Coalition Building: Australia, the Cairns Group, and the Uruguay Round of Trade Negotiations," *International Organization* 44, no. 4 (1990): 589–632, <https://doi.org/10.1017/s0020818300035414>.

⁶¹ Ibid.

⁶² Geoscience Australia, "Appendices," Geoscience Australia, February 27, 2025, <https://www.ga.gov.au/aimr2024/appendices>.

Western Australia are among the cheapest to extract anywhere on earth. The ore is high grade, low impurity and located close to deep water ports. This is not an accident of policy, but rather simple geology. No trade agreement, no diplomatic reset and no diversification strategy changes the fact that the best iron ore for steelmaking comes from Western Australia, this guarantees Australia's continuing status as a world leader in iron ore production.

Coal sits alongside iron ore in the resource export basket. Metallurgical coal goes into steel production alongside iron ore and makes up a total of 16.6% of total mineral export earnings, while thermal coal goes into power stations and makes up a total of 13.5% of total mineral export earnings, giving a total figure of 30.1%.⁶³ Combined, they have generated enormous export revenue over decades, although both face an uncertain future as major economies decarbonise. But decarbonisation timelines are long, and in the current day Australian coal runs into very few issues in finding buyers.

A relative newcomer on the scene is LNG. Major projects in Western Australia commenced in the 2000s, and spread also into the Northern Territory throughout the 2010s, culminating in positioning Australia as one of the world's largest LNG exporters. According to Australian Government statistics, in 2003-04, Australia exported AUD 2.2 billion worth of LNG, which represented 1.5% of total goods and services exports. By 2013-14, this number soared to \$16.3 billion, representing 4.9% of total goods and services exports. By 2013, Australia was the third largest LNG exporter in the world, representing 9.3% of total global exports.⁶⁴ These projects required capital investments

⁶³ Ibid

⁶⁴ "Australia's Liquefied Natural Gas (LNG) Exports, 2003-04 to 2013-14 and Beyond" (Canberra: Department of Foreign Affairs & Trade, February 2015).

measured in tens of billions of dollars, and future projections have Australia becoming the world's largest LNG producer in the not too distant future.⁶⁵

Gold works differently. It is not consumed in great quantity in industrial processes but rather it is stored. Australian gold exports go to a variety of destinations and serve as a hedge against currency volatility and geopolitical uncertainty, and represents 8.3% of total mineral export earnings.⁶⁶ As gold can be found all over the world, it is the least politically problematic of Australia's major resource exports because it does not make any particular country dependent on Australian supply.

Agricultural exports are smaller in value than natural resources but can still be considered significant in their political relevance. Products such as beef, wheat, barley, wine and wool are produced in electorates that decide federal elections, meaning that farmers have political influence that miners, for all their wealth, may not match. Agricultural products are also more exposed to trade disputes because they face higher tariffs, more sanitary barriers, and greater consumer sensitivity to diplomatic tensions.⁶⁷ For example, Chinese tariffs on wine and barley in recent years have brought this sensitivity to light, and demonstrate that Australia must play its cards carefully regarding these 'non-essential' resources compared to 'essential' ones such as natural resources that China may not be able to source from elsewhere.

Rounding out the picture are service exports, and international education is the largest service export by a wide margin. If you take a walk around any Australian university, you will certainly see no shortage of international students, primarily from East Asia. Australian universities built a

⁶⁵ Brian Towler, Mahshid Firouzi, and Rick Wilkinson, "Australia's Gas Resources and Its New Approaches," *Journal of Natural Gas Science and Engineering* 72 (2019): 1–13.

⁶⁶ Geoscience Australia, "Appendices," Geoscience Australia, February 27, 2025, <https://www.ga.gov.au/aimr2024/appendices>.

⁶⁷ Olena Rusak et al., "The Dynamics of the Development of Production and Export of Agricultural Products in the Context of Australia's Foreign Trade," *Review of Economics and Finance* 20 (October 14, 2022): 393–98.

business model on full fee paying international students, who are required to pay all fees up front, rather than the HECS system for Australian citizens that allows them to pay off their university debt once they enter the workforce. In 2024, total revenue for Australian universities from international students stood at \$12.3 billion, representing 27.3% of the sector's total profits.⁶⁸ It also generated a dependency that became painfully visible when borders closed and students stopped arriving, this lack of international students participation during the COVID years led to many Australian universities lowering their admission thresholds for domestic students to at least somewhat cover the costs. Tourism follows a similar pattern, in the 2024-25 financial year, tourism GDP generated \$81.1 billion into the Australian economy, with Chinese visitors being the second most frequent, only after nearby New Zealand.⁶⁹

3.3: Australia's Economic Dependence on China

China buys more from Australia than Australia buys from anyone else, but this statement does not even tell the whole story. It only captures scale without capturing structure. The real story of Australia's economic relationship with China is not only about volume, but also about what is being sold, how hard it is to sell it elsewhere, and what happens to the Australian economy if the relationship were to sour.

All of the previously mentioned exports add up to a firm concentration of Chinese dependency within the Australian export market. A concentration in commodities and a concentration in a handful of products within each commodity category. In the 2024-25 financial year, out of

⁶⁸ "Finance 2024: Financial Reports of Higher Education Providers" (Canberra: Australian Government Department of Education, 2024).

⁶⁹ "Tourism Satellite Account, 2024-25 Financial Year," Australian Bureau of Statistics, 2025, <https://www.abs.gov.au/statistics/economy/national-accounts/tourism-satellite-account/latest-release#data-downloads>.

Australia's top 15 goods and services export markets, China represented 29.2% of all exports.⁷⁰ The next highest export partner is Japan at just over a third of the Chinese figure (10.8%), underlining this concentration and dependency on Chinese purchases to keep the Australian economy running. With these statistics in mind, it is clear that Australia cannot afford to strain the economic relationship it holds with Beijing, as losing this export market would be catastrophic for the Australian economy, and there is simply no other state in the world that requires the amount of resources China does from Australia, thanks to its status as a global leader in goods production.

This concentration should however not be chalked off as a policy failure, but rather it is the efficient outcome of comparative advantage operating over decades. Australian mines produce iron ore cheaply thanks to the quality of the ore itself and the scale of the mines themselves.⁷¹ Chinese steel mills then consume it in huge quantities as has already been established. It is in no doubt that this is a transaction that makes both parties richer, however such volume of trade with just one partner comes with a cost. When a single trading partner accounts for such a large share of export earnings, the relationship ceases to be purely commercial, and can become also structural, which seeps into politics and can effect relationships with other global partners, particularly adversaries of China such as the US, which is the premise of this thesis. These structural dependencies are not easily unwound, and place Australia in a precarious position.⁷²

For Australia, the dependence is macroeconomic. A sustained drop in Chinese iron ore demand would significantly reduce national income, and weaken the Australian dollar. For China, the dependence is instead industrial. A sustained loss of Australian iron ore would disrupt steel

⁷⁰ "Australia's Trade in Goods and Services" (Canberra: Department of Foreign Affairs & Trade, September 2025).

⁷¹ Jim McCluskey and Nicolau Barros, "Life of Asset Planning, Uncertainty and Value Optimisation of the Iron Ore Business – from Exploration, to Market, to Closure," *Mining Technology* 125, no. 1 (January 2, 2016): 15–21, <https://doi.org/10.1080/14749009.2015.1131003>.

⁷² Ibid.

production, and finding it from elsewhere around the world would be more costly as Australia is at a reasonably close distance to China (as opposed to another major iron ore producer, for example Brazil). The difference that puts Australia at a slight disadvantage though is that it has no plan B for iron ore. China instead does still have an option in Brazil, albeit it would involve lower grade ore from Brazil at a greater import cost.⁷³

LNG follows a similar but less extreme pattern. Australia exports large volumes of gas to China under long term contracts, which run for decades, and breaking them would carry legal and financial consequences.⁷⁴ But LNG is more flexible than iron ore, as more states are in need of it, meaning that spot markets exist, and Alternative buyers in Japan and various ASEAN nations could absorb some volume.⁷⁵ The dependence on China is still a reality however less defined with respect to iron ore.

Coal finds itself somewhere in the middle. While metallurgical coal for steelmaking shares some of iron ore's characteristics in its heavy demand internationally, thermal coal for power generation instead faces a different future. As China is experiencing rapid advances in renewable energy and nuclear capacity, thermal coal demand will subsequently decline.⁷⁶ That decline is not a consequence of any geopolitical events, but is rather a simple reality of energy transition. Australian coal exporters will therefore need to find other buyers or other products regardless of diplomatic relations.

⁷³ Lee et al., “China’s Twin Strategic Development of Iron-Ore Imports along the Maritime Silk Road: Economic Security and Decarbonization of Maritime Industry.”

⁷⁴ Peter R. Hartley, “The Future of Long-Term LNG Contracts,” *The Energy Journal* 36, no. 3 (July 1, 2015): 209–33, <https://doi.org/10.5547/01956574.36.3.phar>.

⁷⁵ Ibid.

⁷⁶ Jorrit Gosens, Alex Turnbull, and Frank Jotzo, “An Installation-Level Model of China’s Coal Sector Shows How Its Decarbonization and Energy Security Plans Will Reduce Overseas Coal Imports” (Canberra: Australian National University, December 14, 2021).

Agricultural products tell a different story. Barley, wine, beef and wool are not essential imports for China's industrial strategy, but are instead consumables. China restricted imports of Australian barley and wine in 2020 not because it needed those products and could not get them elsewhere, but because it did not need them urgently and could source substitutes from competitors. Australian farmers though, certainly did feel the pain, while the Chinese economy hardly blinked.⁷⁷ It is in this example that we can see the difference between resource dependence and agricultural dependence. Essential resources such as iron ore give Australia leverage, while non-essential resources such as agriculture ones gives China leverage.

International education is the final piece that completes this overview. Australian universities have built a fruitful business model off of Chinese students, who pay full fees. In the January-February 2026 period, there were 133,765 Chinese students studying on a student visa enrolled in Australian universities, representing a total of 24% of all international students in the country.⁷⁸ Those fees then subsidise research and domestic teaching, and are a large reason as to why Australian universities continue to be successful. This once again highlights a dependence from Australia to China in another important element of its economy, it is a dependence that is quite heavy and similarly to other essential resources already discussed, diversification options are limited.

So what does all of this add up to? Unfortunately for Australia, it adds up to a relationship of asymmetric interdependence. To put it simply, Australia is more exposed to disruption in more sectors, while China is more exposed to disruption in fewer sectors. It is clear now that trade can be weaponised, and when it does become a weapon, China can use it to target Australian agriculture

⁷⁷ Victor Ferguson and Darren Lim, "Economic Power and Vulnerability in Sino-Australian Relations," in *China Story Yearbook 2020: Crisis* (Canberra: Australian National University, 2020), 259–75.

⁷⁸ Australian Government Department of Education, "International Student Numbers by Country, by State and Territory," Department of Education, 2025, <https://www.education.gov.au/international-education-data-and-research/international-student-numbers-country-state-and-territory>.

and education without hurting itself. On the contrary, Australia cannot target Chinese iron ore demand without hurting itself. That asymmetry is the hard reality that diversification strategies bump up against. With this in mind, it is clear that Australia must undertake a path of trade diversification, which has happened, but only marginally. Australian exporters have found alternative markets for some products in some years, with trade with the US, UK, and India growing by more than 10% for all of them in the last five years, compared to China's 2.9%.⁷⁹ But this growth is still rather marginal and cannot be considered as total structural reorientation. Iron ore still flows to China, as does LNG, international students still come from China and the status quo remains.

3.4: Australia's Security Obligations in the Region

This section traces how the economic dependence just discussed interacts with strategic developments throughout history. The pattern that emerges is one of escalating tension that has been heavily influenced by economic coercion, and further driven by Australia's desire to solidify its security through its participation in various security and intelligence agreements. Australia has three primary layers of security obligation. Each of these layers are different, and operate for varying purposes. Each layer is important, and together they determine what Australia's capabilities are in the event of a crisis.

The first layer is ANZUS, signed in 1951. Of its eleven articles, the fourth is the most important.⁸⁰

The wording is careful in that there is no automatic trigger or no promise of war. However, there is

⁷⁹ Department of Foreign Affairs and Trade, "Trade in Goods and Services," Australian Government Department of Foreign Affairs and Trade, 2021, <https://www.dfat.gov.au/trade/trade-and-investment-data-information-and-publications/trade-statistics/trade-in-goods-and-services>.

⁸⁰ 'Each Party recognizes that an armed attack in the Pacific Area on any of the Parties would be dangerous to its own peace and safety and declares that it would act to meet the common danger in accordance with its constitutional processes.'

a commitment to action in at least some form. That promise has provided the early basis for Australian defence policy since the signing of the agreement. This agreement is the basis for Australian-American military cooperation, and is institutionalised in various ways, including Australian officers who attend American staff colleges, and Australian equipment which is bought to American specifications. Australian military strategic planning therefore assumes American support. While the treaty itself does not require any of this, it is symbolic of a profound alliance between states with similar interests in the region.⁸¹

The second layer is Five Eyes, which traces its origins back to the Cold War and has continued ever since (Australia joined in 1956). Under Five Eyes, Australia gains access to crucial intelligence, satellite imagery and analysis that no country of thirty million people could produce alone.⁸² With this stated, Australia is also obliged to share its own intelligence that it gathers through its intelligence agency, ASIO. This embeds Australia into a tight group of states that must cooperate extensively to achieve its comprehensive intelligence goals. It is worth noting that there is no enforcement mechanism, which may seem strange, however given the importance and the sensitivity of the information, there is not really any need for one as the value of the information keeps everyone honest, and it is an agreement that is comprised of states that have been very cooperative with each other for the best part of a century.

The third layer is the newest one, and the most currently relevant to understand the geopolitical dynamics in the Indo-Pacific in the present day. AUKUS was announced in September 2021, committing Australia, the US and the UK to cooperation on nuclear powered submarines and advanced military technologies. Unlike ANZUS, AUKUS has specific targets to deliver upon.

⁸¹ Stephan Frühling, “Is ANZUS Really an Alliance? Aligning the US and Australia,” *Survival* 60, no. 5 (September 18, 2018): 199–218.

⁸² The National Counterintelligence and Security Center, “Five Eyes Intelligence Oversight and Review Council (FIORC).”

These targets include primarily the building of nuclear-powered submarines. Additionally, it involves a large technology transfer, and industrial supply chains will be integrated amongst the states. Unlike Five Eyes, AUKUS has a budget, and it is huge. Australia will spend an estimated AUD 367.6 billion from 2023-2055 to acquire three Virginia Class nuclear-powered submarines from as soon as the early 2030s, and retains the right to request approval for up to two more if needed.^{83 84} The effect is to lock Australian defence planning into American and British schedules for the foreseeable future. AUKUS serves as a decisive indication of Australia's growing concern regarding Chinese influence in the region, and the sheer amount of money that Australia has committed to this project is the indisputable evidence.

The Quad instead occupies a different space. It brings together Australia, India, Japan and the US, and its function is to produce joint statements aimed at maintaining security, peace, stability and influencing economic development in the region. In one of its recent statements, the Quad committed to these principles, addressing a wide range of areas that can influence prosperity in the region.⁸⁵ While its commitments are relatively broad and not binding, it holds a diplomatic significance for Australia, and once again indicates alignment with the US and embeds Australia with other regional democracies without the legal weight of a treaty.

In summary, these obligations add up to a structure in which Australia's security has become inseparable from the US, by way of institutional constraints and obligations. Consultation is very routine, intelligence and equipment is shared, and significant economic commitments such as that of AUKUS are put in writing. It is widely assumed that Australia would fight alongside the United

⁸³ "The Cost of Nuclear Submarines" (Canberra: Australian Parliamentary Budget Office, April 14, 2023).

⁸⁴ Australian Submarine Agency, "Australia's Nuclear-Powered Submarines," Australian Submarine Agency, January 16, 2024, <https://www.asa.gov.au/aukus/australias-nuclear-powered-submarines>.

⁸⁵ Anthony Albanese et al., "Joint Statement from the Leaders of Australia, India, Japan, and the United States," Prime Minister of Australia, September 21, 2024, <https://www.pm.gov.au/media/joint-statement-leaders-australia-india-japan-and-united-states>.

States in any major Pacific conflict. Even if that assumption is not explicitly signalled in any document, it is widely assumed and expected.⁸⁶ The constraint on Australian policy comes from this structure. When the United States takes a position on Taiwan, Australia is expected to support it. When the US restricts technology exports to China, Australian firms must choose between American and Chinese markets. When the US plans for military contingencies, Australian forces are expected to participate. The expectations are not legal obligations, but they are viewed by the US as practical necessities. Diverging from the US would mean disrupting intelligence flows, complicating military operations, and damaging the alliance. The costs would be high, yet Australian governments have consistently chosen to pay them.⁸⁷ We can of course see examples of Australia's affirmed commitment to backing US military operations. In 2003, Australia joined the US in invading Iraq, which is not even situated in the Indo-Pacific, this only goes to demonstrate the extent to which Australia is embedded with the US, and the extent to which it is willing to prove its support.⁸⁸ In 2021, this became further institutionalised as Australia joined AUKUS. In between, Australia signed the ChAFTA with China in 2015, and the economic relationship with Beijing grew, however interestingly enough, the security relationship with the US remained unaffected. When trade and security conflicted, it appeared that security remained paramount, and there was no significant American response to Australia's rapprochement with China.

⁸⁶ Richard Tanter, "The US Military Presence in Australia: Asymmetrical Alliance Cooperation and Its Alternatives," *Asia-Pacific Journal* 11, no. 45 (November 2013), <https://doi.org/10.1017/s1557466013035031>.

⁸⁷ Ibid.

⁸⁸ Ibid.

3.5: Australia's Response to Chinese Imperialism in the Pacific

It is no secret that China is an ambitious superpower, and its year-on-year increasing presence in the Indo-Pacific is clear evidence of this.⁸⁹ This section examines Australia's response to Chinese imperialism in the region, with particular regard to security agreements in the Pacific islands. The Solomon Islands signed a security pact with China in 2022,⁹⁰ and Australia has responded with negotiating the Papua New Guinea – Australia Mutual Defence Treaty (also known as the Pukpuk Treaty) in 2025.⁹¹ Australia's concern is therefore clear, and if China moves, Australia feels it must try to answer. These answers also reinforce the American alliance and overall broader commitment to the US as Australia's main security partner.

Historically, the Pacific islands were often regarded as Australia's backyard. It was an assumption that implied ownership where none existed, but it did underline a geographical reality. Australia is the largest, richest and most stable country in a region of small, relatively poor and therefore vulnerable states. For decades and continuing through to the present day, that asymmetry translated into influence. Australia gave aid, provided police training, and provided natural disaster relief. In these senses, no other country came close to matching its presence, and Australia retains its financial commitment to the region, in 2024-25, Australia dedicated AUD 563.7 million in Official Development Assistance to the region, which encompasses a broad range of assistance including policing, humanitarian assistance, and sustainability assistance.⁹² Recently however, China has challenged this perspective, and continues to impose itself more and more with every passing year.

⁸⁹ Zaidi, "American Global Supremacy Under Threat? The Chinese Factor."

⁹⁰ "Solomon Islands-China Security Cooperation Signed."

⁹¹ Papua New Guinea - Australia Mutual Defence Treaty.

⁹² Department of Foreign Affairs and Trade, "Australia's Pacific Regional Development Program," Australian Government Department of Foreign Affairs and Trade, 2021, <https://www.dfat.gov.au/geo/pacific/development-assistance-in-the-pacific>.

Over the past decade, Chinese diplomats, development loans and infrastructure projects have appeared across the Pacific. Chinese officials have signed agreements with governments that previously dealt almost exclusively with Australia and New Zealand. Chinese infrastructure projects have been numerous in recent years as part of its broader Belt and Road Initiative, representing a gradual but unmistakable shift in regional influence, and Australia has noticed and reacted with justified concern.⁹³ The Solomon Islands arguably provided the first wake-up call. In 2017, the Solomon Islands signed the Agreement Between the Government of Australia and the Government of Solomon Islands Concerning the Basis for Deployment of Police, Armed Forces, and Other Personnel to Solomon Islands.⁹⁴ This was a comprehensive agreement and an important demonstration of Australian influence in the region at the time, however what mattered was what followed. In 2022, the Solomon Islands signed effectively the same agreement again, however this time with China.⁹⁵ Not only for Australia but also for the US, this indicated a clear cause for concern, and proved to be a demonstration that its influence in the region was coming increasingly under threat.⁹⁶

The case of PNG is the most important of any of the Pacific states, it is closer to Australia and more strategic, and its population is many times that of any other Pacific island state. Losing influence in PNG would therefore be a significant strategic defeat for Australia, and Australia has placed a concerted effort in mitigating Chinese influence in the country. This sentiment has been institutionalised in the form of a security agreement with the historic Pukpuk treaty signed with

⁹³ Joanne Wallis and Czeslaw Tubilewicz, "The Pacific Islands and Chinese Power as Presence, Influence, and Interference," *European Journal of International Security* 10, no. 2 (November 4, 2024): 1–22, <https://doi.org/10.1017/eis.2024.32>.

⁹⁴ Department of Foreign Affairs and Trade, "Bilateral Security Treaty."

⁹⁵ "Solomon Islands-China Security Cooperation Signed."

⁹⁶ Joseph Hammond, "China's Security Agreement with the Solomon Islands: Wider Implications for Geopolitics in the South Pacific," *Journal of Indo-Pacific Affairs* 6, no. 8 (November 1, 2023): 105–13.

PNG in 2025. This treaty deepened security integration across multiple domains. Its purpose is to strengthen defence cooperation and contribute to regional stability and security.⁹⁷ It includes provisions for Australian training of Papua New Guinean defence personnel, joint maritime patrols and enhanced intelligence sharing. It locks in Australian influence in the country for the foreseeable future, and is regarded as a huge diplomatic victory for Australia in its quest to mitigate Chinese influence. China, however has not been frozen out of PNG, as Chinese loans continue to finance infrastructure projects, and Chinese state owned enterprises continue to operate in key sectors, and PNG's geopolitical strategy remains considered as a non-aligned one.⁹⁸ But it can be said that the security relationship has certainly taken a step towards Australia, which is the main purpose of the treaty.

Beyond bilateral agreements, Australia has increased its development spending across the Pacific, as previously indicated. Labour mobility schemes allow Pacific islanders to work in Australian agriculture and aged care, infrastructure financing has been expanded, and vaccine donations during the COVID19 pandemic were distributed extensively in the region. The message is as much a symbolic one as it is a tangible financial one: that Australia is present, and continues to be interested and invested in developments in the region, and expects loyalty in return.⁹⁹ The strategic logic can be considered defensive. While Australia does not want to dominate the Pacific, it wants to prevent anyone else from doing so, and the evident threat is that Chinese activity has expanded to a point where Australian policymakers feel compelled to respond.¹⁰⁰ The response has been to

⁹⁷ "Papua New Guinea - Australia Mutual Defence Treaty" (2025), <https://www.dfat.gov.au/sites/default/files/png-australia-mutual-defence-treaty.pdf>.

⁹⁸ Bernard Yegiora, "Fifty Years of China–Papua New Guinea Relations: Strategic Shifts, Developmental Diplomacy, and the Future Trajectory," *Australian Journal of International Affairs* 79, no. 6 (October 29, 2025): 906–18, <https://doi.org/10.1080/10357718.2025.2575133>.

⁹⁹ Joanne Wallis, "Australia's Statecraft towards Its 'Pacific Family,'" in *Power and Influence in the Pacific Islands: Understanding Statecraftiness* (Routledge, Taylor & Francis Group, 2024), 123–39.

¹⁰⁰ Ibid.

deepen existing security relationships and to formalise them in ways that make Chinese influence more difficult to attain.

Critics of Australian policy offer one main objection to this strategy, being that Pacific island states are sovereign, and they have the right to engage with China, or whoever else they like. In their opinion, Australian efforts to lock in security domination risk treating neighbours as clients rather than partners.¹⁰¹ It is a valid objection that holds truth, yet is unlikely to change Australian behaviour. The reality is that the competitive dynamic with China has taken hold, and each Chinese agreement produces an Australian response. Even if an Australian response is framed as a gesture of goodwill towards a neighbour, it is perceived by many as a defence of regional stability, and the cycle of competing influence between Australia and China continues. This tells us that Australia sees Chinese influence as a threat that needs to be countered, and not merely managed. It tells us that Australia's preferred tool for countering that threat is deeper security integration with Pacific states, and it tells us that this integration, like AUKUS and ANZUS, locks Australia into a pattern of alignment that leaves less room for strategic flexibility. While the Pacific is not the centre of the Sino-American contest, it can be seen as a testing ground for the broader dynamic. As China advances, Australia responds, leading to a tug-of-war dynamic that strains existing alliances.¹⁰²

¹⁰¹ Ibid.

¹⁰² Ibid.

Chapter IV: Evolution of Sino-Australian Relations (2015-2020)

This chapter traces the evolving dynamics in the bilateral relationship with China between 2015 and 2020, before AUKUS and before Albanese's diplomatic reset. It tells the story of a relationship that increasingly came under pressure, and the consequences that this pressure led to.

4.1: Deterioration of Relations under Prime Minister Malcolm Turnbull

Malcolm Turnbull served as Australian Prime Minister from 2015-2018. During those three years, the relationship with China steadily grew colder and colder. It was not a sudden change, but rather gradual, and by the time Turnbull left office, the trust between the two states was a shell of its former self.

Turnbull took over from Tony Abbott in September 2015. The ChAFTA had been signed three months earlier, and relations between the two states was at arguably its best ever point. Chinese investment was booming, Chinese tourists increasingly came to Australia in larger numbers,¹⁰³ and Chinese students became an increasingly important part of Australia's education economy.¹⁰⁴ The first signs of tension came in 2016, as Australian news outlets began running stories about Chinese political donations. The stories said Chinese businesspeople were giving money to Australian political parties, and that China was trying to buy influence. Regardless of the truth in these claims, the headlines exist to spark interest and debate, and will always take an opportunity to stir up drama, subsequently, public opinion began to shift towards a scepticism of China. Outlets such as the Australian Broadcasting Corporation went heavy on these stories, for example, publishing a table of Chinese donors to Australian political parties, how much they donated, and to who

¹⁰³ "Tourism Satellite Account, 2024-25 Financial Year," Australian Bureau of Statistics, 2025, <https://www.abs.gov.au/statistics/economy/national-accounts/tourism-satellite-account/latest-release#data-downloads>.

¹⁰⁴ "Finance 2024: Financial Reports of Higher Education Providers" (Canberra: Australian Government Department of Education, 2024).

specifically.¹⁰⁵ They also targeted individual senators, such as Sam Dastyari, who was accused of having questionable links to Beijing.¹⁰⁶ Under mounting pressure, in June 2017, Turnbull announced a new counter foreign interference unit within ASIO. The ASIO's acting director of security, Heather Cook, explicitly stated that foreign interference was occurring in Australia.¹⁰⁷

Moving on towards more tangible geopolitical events, the South China Sea was another major talking point. Turnbull's government started expressing concern over China's increasingly coercive actions. For example, in the 2016 Australian Defence White Paper, it was explicitly stated that Australia desires for China to be more transparent about its defence policies, and emphasised a need to maintain a global rules-based order.¹⁰⁸ The 2017 Foreign Policy White Paper followed a similar suit, reinforcing China's prerogative to act as an ethical player in the international system, while also reaffirming Australia's long-standing defence partnership with the US.¹⁰⁹ Having outlined these sentiments, it is however important to note that the language was in no way scathing towards China, and maintained a diplomatic, non-confrontational tone throughout. Both papers emphasised the need for effective dialogue, stating that both the American military alliance and the Chinese economic alliance were crucial to Australia's prosperity. This was a dialogue that was typical of Turnbull's tenure as Prime Minister, as he sought to tow the line using diplomatic rhetoric. Throughout this period however, Chinese officials stopped being friendly. Official statements

¹⁰⁵ Chris Uhlmann and Andrew Greene, "Chinese Donors to Australian Political Parties: Who Gave How Much?" (Australian Broadcasting Corporation, August 21, 2016), <https://www.abc.net.au/news/2016-08-21/china-australia-political-donations/7766654>.

¹⁰⁶ Anna Henderson and Stephanie Anderson, "Sam Dastyari's Chinese Donations: Is the Criticism Warranted?," www.abc.net.au, September 5, 2016, <https://www.abc.net.au/news/2016-09-05/sam-dastyari-chinese-donations-furore-explained/7816588>.

¹⁰⁷ Jane Norman, "ASIO Says Espionage in Australia 'Extensive, Unrelenting, Increasingly Sophisticated,'" *Australian Broadcasting Corporation*, June 16, 2017, <https://www.abc.net.au/news/2017-06-17/espionage-australia-extensive-unrelenting-asio-says/8626072>.

¹⁰⁸ "2016 Defence White Paper" (Canberra: Australian Government Department of Defence, 2016).

¹⁰⁹ "2017 Foreign Policy White Paper" (Canberra: Department of Foreign Affairs & Trade, 2017).

became sharper, with Chinese officials addressing accusations of political interference as being “made up out of thin air and filled with cold war mentality and ideological bias.”¹¹⁰

Nonetheless, trade continued. Iron ore, LNG, students, tourists, all maintained their status quo.

While the money did not stop, the trust certainly did, that was the real change. Under Turnbull, Australia stopped trusting China and China stopped trusting Australia. The next section will look at the first major policy decision taken by the Turnbull Government to mitigate Chinese interference in Australian affairs.

4.2: Foreign Influence Transparency Scheme Act 2018 (FITSA)

FITSA in 2018 came as a result of mounting anxiety about what China was doing inside Australian politics. The Act was the first significant policy response to a problem that Australian intelligence agencies had been warning about for years. Foreign powers, one foreign power in particular, were trying to influence Australian political outcomes, but the existing legal framework was not equipped to handle it. While China was not actually explicitly stated as a cause, it is no secret that it was enacted as a result of concern about Chinese influence. The Act created a registration scheme in which any person or organisation acting on behalf of a foreign interest had to register their activities if they met all of the following criteria:

- They undertake registrable activities or enter into a registrable agreement
- The activity is, or will be undertaken in Australia on behalf of a foreign principal
- The activity is undertaken for the purpose of political or governmental influence
- No exemptions apply

¹¹⁰ Paul Karp, “Chinese Influence on Australia Is ‘Fabricated’ by Media, China Claims,” *The Guardian*, December 6, 2017, <https://www.theguardian.com/australia-news/2017/dec/06/chinese-influence-on-australia-is-fabricated-by-media-china-claims>.

Under the act, a foreign principle includes a: foreign government, foreign political organisation, a foreign government related entity, or a foreign related government individual. Registrable activities include: parliamentary lobbying, general political lobbying, communications activities, and disbursement activity (payment of money or things of value).¹¹¹ Failure to comply with these regulations carried criminal penalties, indicating the perceived seriousness of the issue. The timing of the act mattered. By 2018, as already established, the relationship with China had deteriorated as a result of the South China Sea disputes and the foreign interference allegations. This Act was not the cause of that deterioration but rather a consequence of increasing paranoia within the Australian government towards Chinese interference.

So what did the Act actually achieve? In practice, a quick search on the dedicated FITSA website shows there have been 722 registered activities under the act, of which 173 are tied to China (as of June 2026).¹¹² While these numbers cannot tell us the full story, as it is not possible to establish the amount of unregistered activity that is ever going on, it is indicative of the need for this act in the first place. The numbers show that it can be reasonably assumed that China was a major player in clandestine foreign interference. The Act's significance was however not simply operational, but was just as much symbolic. Australia had passed a law that openly and publicly stated that foreign influence was a threat, and much of the evidence points to China as the root cause.

¹¹¹ "Foreign Influence Transparency Scheme," Attorney-General's Department, December 10, 2018, <https://www.ag.gov.au/integrity/foreign-influence-transparency-scheme>.

¹¹² Foreign Influence Transparency Scheme (Australian Government Attorney General's Department), accessed June 15, 2026, <https://foreigninfluence.ag.gov.au/Activities>.

4.3: The Huawei 5G Ban

This next section examines the 2018 Huawei ban. While the FITSA was about a mix of transparency and action, the Huawei ban was purely about action, as it identified and acted upon a specific actor that it believed to be a threat to Australian national security. In August 2018, the Australian government banned Huawei from supplying equipment for the country's 5G network. As Huawei is a Chinese company, the Australian government's official stance was that the ban was about national security, though it fell short of providing detailed evidence.¹¹³ Intelligence assessments are of course classified, meaning that the public had to trust that the threat was real.

All of this came at a very turbulent time in Australian politics. Morrison had just won a party room vote against Peter Dutton, and Turnbull had been pushed out. The government was in chaos, and in the middle of all of it, the decision was taken to ban Huawei. It was clearly a decision had been planned under Turnbull, and went in line with what the intentions of the FITSA were before it. Morrison could have delayed it, yet he chose not to, further indicating a concrete institutional concern about the growing influence of China in Australian politics. Interestingly enough, the ban applied to 5G only, and Huawei was still free to supply other equipment. Australian carriers had already used Huawei gear in their 4G networks, and that equipment was allowed to stay. It should however be mentioned that this policy action did not come just from a place of paranoia, as scholars have reported on the potency of Chinese 5G capabilities, and their capacity to be effective spyware tools.¹¹⁴ From this perspective, the ban can be considered justified. In response, China was understandably displeased, unlike the FITSA, this was a direct attack on a Chinese economic interest that would have tangible financial repercussions for the company. Official statements were

¹¹³ Greg Jennett, "Electronic Spy Agency Chief Says Huawei's Ban to 5G Network Was 'Supported by Technical Advice,'" *ABC News*, October 29, 2018, <https://www.abc.net.au/news/2018-10-30/australian-signals-directorate-boss-explains-huawei-ban/10444064>.

¹¹⁴ Nicolas Botton and Hosuk Lee-Makiyama, "5G and National Security after Australia's Telecom Sector Security Review" (Brussels: European Centre for International Political Economy, 2018).

strong in their criticism of the decision, labelling it as discriminatory, and urging Australia to abandon its ideological bias.¹¹⁵

Australia had two main reasons for enacting this ban. Firstly, there was the genuine concern the intelligence community and the broader public held with regard to Huawei, in a 2018 poll, 44% of Australians indicated the first priority for the Australian Government should be to protect Australia from foreign intrusion.¹¹⁶ Second, the United States was clear in its intention of wanting its allies to ban Huawei, and Australia wanted to demonstrate that it was a reliable partner. The ban achieved both, but the latter is perhaps the most indicative of the true reason this ban was enacted.¹¹⁷ In retrospect, we can see that many other close allies of Australia, some of which are even involved in intelligence agreements with Canberra, have also enacted legislation regarding Huawei and other Chinese tech companies in recent years.¹¹⁸ This indicates that the Huawei ban may have been part of a larger picture project amongst multiple allied nations around the world to mitigate the risk of Chinese spyware technology infiltrating said nations.¹¹⁹

All of this imaginably came at a political cost, the ban confirmed that Australia was willing to act decisively against Chinese interests, and trust eroded further. The Huawei ban was not the cause of the Sino-Australian deterioration in relation, it was a downturn that was already underway. But the ban was a marker, in that it showed that Australia would prioritise security over commerce.

¹¹⁵ “Foreign Ministry Spokesperson’s Remarks_Embassy of the People’s Republic of China in the Commonwealth of Australia,” China-embassy.gov.cn, 2018, https://au.china-embassy.gov.cn/eng/zagx_0/sqxw/202308/t20230824_11131474.htm.

¹¹⁶ Lowy Institute, “Foreign Technology in Australia - Lowy Institute Poll,” Lowyinstitute.org, 2026, <https://poll.lowyinstitute.org/charts/foreign-technology-in-australia/>.

¹¹⁷ Keman Huang et al., “Varieties of Public–Private Co-Governance on Cybersecurity within the Digital Trade: Implications from Huawei’s 5G,” *Journal of Chinese Governance* 7, no. 1 (2022): 81–110.

¹¹⁸ Reality Check, “Huawei: Which Countries Are Blocking Its 5G Technology?.”

¹¹⁹ Keman Huang et al., “Varieties of Public–Private Co-Governance on Cybersecurity within the Digital Trade: Implications from Huawei’s 5G,” *Journal of Chinese Governance* 7, no. 1 (2022): 81–110.

4.4: 2018 Memorandum of Understanding between the state of Victoria and China

This section examines the Victoria China Memorandum of Understanding (VCMU). Signed two months after the Huawei ban, the VCMU revealed a different Australia. Not the entire Australia that Canberra intends to represent, but the Australia of Victoria, one that seemed to prioritise investment over security, and clearly had different ideas regarding engagement with China.

Victorian Premier Daniel Andrews went to Beijing in 2018, and signed a deal with China's National Development and Reform Commission, which said that Victoria would cooperate with the Belt and Road Initiative.¹²⁰ Though it was not a contract and not legally binding, it was a statement of shared intentions. Andrews was proud of the deal, saying it would create jobs and bring investment in the form of infrastructure projects, and that Victoria would act as China's gateway to Australia.¹²¹ Crucially, Canberra was not involved in this decision, and this came under the already established backdrop of Sino-Australian relations being considerably strained through the FITSA and the Huawei ban, so with a state premier signing up to China's most important infrastructure program, which operates as a huge diplomatic tool, the messaging was terrible as Australia looked divided in its opinions on how to engage with China. In 2020, the federal government passed new laws which allowed Canberra to cancel foreign agreements made by states and territories, stating that such agreements (not exclusive just to China) were inconsistent with Australia's foreign policy, and The VCMU was subsequently cancelled.¹²²

¹²⁰ Harrison, "Victorian Government Releases Agreement with China on Belt and Road Initiative."

¹²¹ "More Jobs and Investment with New Victoria and China Deal," Vic.gov.au, 2018, <https://www.premier.vic.gov.au/more-jobs-and-investment-new-victoria-and-china-deal>.

¹²² "Decisions under Australia's Foreign Arrangements Scheme," Australian Government Department of Foreign Affairs and Trade, April 21, 2021, <https://www.foreignminister.gov.au/minister/marise-payne/media-release/decisions-under-australias-foreign-arrangements-scheme>.

The VCMU ended up being a short-lived anomaly that went against the general trend of increasing scepticism towards China. It did not in any significant way change the trajectory of Sino-Australian relations, which was a trajectory that was already set. But what it did show is that Australia was not a united actor, and discourse about engagement with China differed throughout the country. Those differences create openings, of which China was more than happy to take advantage of.

4.5: Chinese Economic Coercion as a Response

In 2020, China imposed an 80% tariff on Australian barley. The official reason was dumping, as Australian farmers were selling barley below cost, to which China claimed it harmed Chinese producers. It was a long and drawn out investigation that was taken up by the WTO, with an official settlement reached in 2023.¹²³ Furthermore, wine tariffs would come not long after, by the end of 2020, Australian wine also faced significant tariffs of over 200%, to which an official settlement was reached in 2024.¹²⁴ The effect was immediate across both industries, as exports drastically collapsed. Australian barley farmers ended up with an unsellable surplus of barley, and vineyards were left with grapes they could not sell. While they made efforts to find buyers elsewhere around the world, the sheer magnitude of losing the Chinese market had severe economic implications for the actors involved.¹²⁵ Beef also became more difficult to export to China, as regulations and general bureaucratic processes tightened on both the Chinese and Australian ends, making it more difficult for Australian exporters to efficiently sell their beef. The reasons were technical and included labelling issues and inspection discrepancies.¹²⁶ In reality these were just technicalities,

¹²³ WTO, “WTO | Dispute Settlement - DS598: China - Anti-Dumping and Countervailing Duty Measures on Barley from Australia.”

¹²⁴ WTO, “WTO | Dispute Settlement - DS602: China - Anti-Dumping and Countervailing Duty Measures on Wine from Australia.”

¹²⁵ Laurenceson, Zhou, and Pantle, “Interrogating Chinese Economic Coercion: The Australian Experience Since 2017.”

¹²⁶ “Meat Notice 2020-04 – China – Reinforced Importing Country Requirement Compliance - DAFF.”

and it would be safe to assume that under normal circumstances, they would have been resolved quietly, as evidenced in the relative ease of export and import in the years prior. However, given the circumstances at the time, they became obstacles that were far more difficult to surpass than they should have been. Lobster exports were also affected, as in In late 2020, shipments slowed, and in a very similar vein to the complications regarding beef, inspections intensified, and prices dropped. Therefore fishermen who had built their businesses around Chinese demand found themselves without a major export market that had previously sustained them.¹²⁷

On the other hand, natural resources were treated slightly differently by the Chinese authorities, at least in an official legal capacity, coal, for example, was different. There was a ban, however not an official one. Due to the increasing tension in Sino-Australian relations, China began to look elsewhere for its coal imports, with Russia and Indonesia being listed as benefactors of this Chinese policy pivot.¹²⁸

So what tied all these measures together? The obvious response is that of timing. Each restriction was announced in the years following the initial downturn of relations, and implemented following Australian policy decisions that China opposed. The subsequent economic impact was real but contained, and varied from industry to industry. Barley exporters were able to find alternative buyers, whereas wine and lobster exporters struggled far more.¹²⁹

¹²⁷ “MAA 2020-17: China: Fish: Significant Delays for Consignments of Rock Lobster - DAFF.”

¹²⁸ “Coal 2021 Analysis and Forecast To 2024.”

¹²⁹ Laurenceson, “The China-Australia Free Trade Agreement (ChAFTA): An Australian Assessment of Core Outcomes a Decade On.”

The broader lesson confirmed a fear that had been brewing in Australian foreign policy discourse, that China could damage some of Australia's industries.¹³⁰ It could not however totally cripple it. Crucially, in all of these trade complications, the iron ore trade continued uninterrupted. This demonstrates that China, regardless of its status as a superpower, still did need certain commodities from Australia, and recognised the need to exercise caution in certain discussions regarding exports that Beijing considered to be essential. As there was no alternative supplier at the same scale and quality, just iron ore in and of itself insulated Australia from the worst consequences of Chinese retaliation, and as long as China needed to manufacture steel, Australia still kept this crucial ace up its sleeve.¹³¹ This whole episode also revealed something about Chinese strategy, in that Beijing did not lash out indiscriminately, but it was instead a calculated targeting of industries that it regarded as replaceable. It targeted sectors where Australia was vulnerable and China was not. Products such as barley, wine, beef, coal and lobster were all replaceable, as these are all products that can be sourced from many places around the globe, at a similar quality and for a similar price. The message from China was that it could punish Australia, without punishing itself. This message profoundly indicates the economic dependency that Australia had on China, with the exception of iron ore.¹³²

The Morrison government responded with a mixture of defiance and damage control, and produced public statements that condemned Chinese behaviour.¹³³ The longer term consequence was a shift in Australian thinking, as it had become apparent that economic dependence on China was a certain reality, and given the souring of relations during those years, it was a clear strategic vulnerability. Diversification became a policy priority rather than just a talking point, not just during Morrison's

¹³⁰ Medcalf, "China's Economic Leverage: Perception and Reality."

¹³¹ Ibid.

¹³² Ferguson and Lim, "Economic Power and Vulnerability in Sino-Australian Relations."

¹³³ Dalzell, "PM Says Australia 'Won't Trade Away Our Values' as He Responds to China Criticism."

tenure, but also in subsequent administrations. The Australia-India Economic Cooperation and Trade Agreement (ECTA) was signed in 2022,¹³⁴ the Indo-Pacific Economic Framework (IPEF) was agreed upon in the same year,¹³⁵ and the Australia-European Union Free Trade Agreement (A-EUFTA) was signed in 2026.¹³⁶ These were all evident moves towards diversification, signifying a clear distrust and dissatisfaction with the Chinese relationship.

4.6: Australian Diversification

This section examines the effectiveness of Australian diversification efforts. The answer is mixed. Some sectors have diversified while others cannot and have not. The pattern of the trade war and economic dependence on China still continues to shape Australian policy, and is likely to continue for the foreseeable future. Diversification sounds like a strategy, however in practice, it is a description of what happens when a country is forced to find new markets, and Australia is representative of this. The tariffs and unofficial bans imposed by China made selling certain products to them impossible. Exporters had no choice, they had to find other buyers or else they would go out of business. Many did find other buyers as previously discussed, however some went out of business. But the new buyers were not as good as the old ones in that they paid less, they bought less, and they were often further away.

The Regional Comprehensive Economic Partnership (RCEP), which entered into force in January 2022, provided a framework for deeper trade with ASEAN and other regional players. Crucially through, China was also a part of this agreement, which indicates an intention of diversification

¹³⁴ Department of Foreign Affairs and Trade, “Australia-India Economic Cooperation and Trade Agreement (ECTA).”

¹³⁵ Department of Foreign Affairs and Trade, “Indo-Pacific Economic Framework.”

¹³⁶ “Landmark FTA to Strengthen Australia-EU Investment Relationship | Austrade International.”

from the Australian side that however still hedged on Chinese participation. The official Australian Government stance on the partnership is that it reduces barriers on existing trade and encourages further investment and economic and technical cooperation amongst the signatory states.¹³⁷ Australia was already selling to these countries, and had established relations with them through pre-existing trade agreements, RCEP only consolidated these relationships, though it would be an exaggeration to say it transformed them.¹³⁸

India is the great hope of Australian economic diplomacy, and strides have been made in developing the relationship, as seen with ECTA, which eliminated tariffs on over 85% of Australian goods exports to India, and conversely, around 96% of Indian goods exports to Australia became duty-free.¹³⁹ Despite these encouraging numbers, there are still gaps that have been left open with regards to skill mobility, and India's strength in IT, healthcare, and education can be considered to not have been fully utilised. While this is certainly a step in the right direction for both states, it is clear that there is room for a more comprehensive agreement that would aid Australia in its quest for greater trade diversification.¹⁴⁰

While Australia is politically closely tied to European partners, simple logistics render this relationship a long shot in being a truly effective solution for Australia. The EUFTA is a step in the right direction, however even in the best case scenario, the trade flows will continue to be modest compared to the Asian trade. The EU buys certain Australian products such as wine and beef, but it is not a significant market for iron ore, coal or LNG, for the simple fact that EU states can source these commodities for cheaper and from areas closer to them. Furthermore, the EU holds a surplus

¹³⁷ Department of Foreign Affairs and Trade, "Regional Comprehensive Economic Partnership."

¹³⁸ Estrades, "Estimating the Economic and Distributional Impacts of the Regional Comprehensive Economic Partnership."

¹³⁹ Ghosh, "India and Australia's Trade Deal Remains Half-Finished | Lowy Institute."

¹⁴⁰ Ibid.

of €26.7 billion in trade between the two parties, indicative of a trade imbalance.¹⁴¹ Through this, it is evident that the EU can only be considered a marginal partner of last resort, and in no way can it be a replacement for Asian markets.

The result of all these efforts is a picture of a clear intention to diversify, that is unfortunately met with statistical and logistical realities that limit Australia's capability to truly diversify to the extent that it may wish to. Australia was able to reduce its dependence on China in some products such as wine and barley, however it has not reduced its dependence in iron ore. Iron ore is the largest export by a wide margin, and a large part of it goes to China because only China needs it at that scale. Until that changes, talk of diversification is mostly talk with limited practical implications. The limits of diversification are not necessarily a policy failure, but are a structural reality. Australia produces what it produces, and China demands what it demands.¹⁴² The lesson for this study is that regardless of what may be said by whoever is in charge, the fact is that economic dependence on China is the reality that Australia faces, and it is a dependence that has largely proved resistant to political pressure on a major scale, even in the context of the trade disputes that have been analysed.

¹⁴¹ European Commission, "EU Trade Relations with Australia."

¹⁴² Ferguson and Lim, "Economic Power and Vulnerability in Sino-Australian Relations ."

Chapter V: AUKUS

5.1: Origins of AUKUS

Having discussed Australia's economic situation in the context of global trade, this chapter will now look at the moves that Australia has made in ensuring its national security. In recent years, the most significant of these moves has been the AUKUS security pact, announced in September 2021, which represented a different kind of response to strategic uncertainty. While on the economic side Australia has sought diversification, its defence strategy can be considered one of integration, that does not reduce dependence but deepens it. The contrast between the economic and security strategies could not be starker, and is indicative of where Australia truly places its trust, in that it has sought to diversify away from China in trade, but on the contrary it has locked itself further into the US and Western allies in its defence intentions.

Australia's submarine intentions began a few years earlier, interestingly enough, during a period of stable relations with China. In 2016, under the Turnbull government, Australia signed a deal with Naval Group of France that was worth AUD 50 billion. It detailed that France would build twelve new submarines at the Adelaide shipyard, along with a commitment to create a sustainable shipbuilding industry in Australia, creating 1,100 jobs and a further 1,700 through the supply chain further down the line. In the government's official media release following the agreement, it stated that the program would be a critical part of Australia's defence infrastructure well into the middle of the century.¹⁴³

¹⁴³ Turnbull and Payne, "Prime Minister, Minister for Defence - Joint Media Release - Future Submarine Program."

By 2021 though, the deal was failing as costs had exceeded the amount initially indicated and timelines had slipped.¹⁴⁴ The Morrison government had lost faith and it became clear that Australia needed another plan. That's when Australia began to turn its head towards two of its oldest allies, the US and the UK, both of whom already had nuclear submarines, which are superior to the conventional submarines that were promised under the agreement with France. Nuclear submarines can stay submerged for months, they are faster, they are quieter, and they can patrol further from home.¹⁴⁵ Given the geopolitical backdrop at the time between Australia and China, the idea of pivoting towards the US and UK became increasingly more enticing, and the advantages seemed obvious.

This pivot understandably came with its own problems, the first one of which being legal. At the time, US law prohibited sharing nuclear propulsion technology with allies, so the law would need to be changed, and the Biden administration was willing to change it. It was a move that was indicative of the global perception of the threat that China posed. Washington was willing to let Australia have better submarines, and went to the extent of making it legally possible, as better submarines meant a stronger alliance and a better position against the growing military threat of China.¹⁴⁶ The other issue came from France, no one informed them of this pivot, and when the official AUKUS announcement came, the French were totally blindsided. They responded by recalling their ambassador from Australia, and French President Emmanuel Macron openly accused Morrison of lying.¹⁴⁷ It was a diplomatic crisis that was largely unforeseen between two states that historically cooperated closely and effectively.

¹⁴⁴ Marles, "Future Submarine and Future Frigate Programs | Australian National Audit Office (ANAO)."

¹⁴⁵ O'Rourke, "Navy Virginia-Class Submarine Program and AUKUS Submarine (Pillar 1) Project: Background and Issues for Congress."

¹⁴⁶ Ibid.

¹⁴⁷ Staunton and Day, "Australia-France Relations after AUKUS: Macron, Morrison and Trust in International Relations."

AUKUS is however more than just submarines. It is an agreement that covers a broad range of processes that will aid technological development, and these are technologies that will matter in future conflicts. From an Australian perspective, it knows that it does not have the capacity to develop these technologies alone, while The US and the UK, who are global leaders in technology and innovation, can. AUKUS is therefore viewed as a crucial mechanism for attaining these technologies. This, along with the submarines themselves, represents the real significance of the pact. It is not just the hardware, but it is equally the integration through information-sharing and skill development.¹⁴⁸ As already previously outlined, the cost of AUKUS was unheard of in Australian military history, which is indicative of just the amount of paranoia that was present within the realm of foreign policy, and speaks to the urgency of addressing the rise of China. It was a clear signal that Australia was willing to move decisively and at a great cost to ensure its security, and to consolidate its alliances with its most historical allies, who in turn were also eager to consolidate their positions in the Indo-Pacific, as demonstrated in official joint statements between the signatories.¹⁴⁹

5.2: Integration with the US and the UK

The military and technological integration that Australia will undergo with the US and UK as a result of AUKUS is significant. Australian engineers will work alongside American and British engineers in classified programs, Australian defence companies will be integrated into American and British supply chains, and Australian researchers will gain access to research that is available to very few.¹⁵⁰ The barriers that once separated Australia from the inner circle of Anglo-American

¹⁴⁸ Chan and Rublee, "The Promise of AUKUS: Implications of Its Minilateral Institutional Form."

¹⁴⁹ Biden, Morrison, and Johnson, "Joint Statement by President Biden, Prime Minister Scott Morrison of Australia, and Prime Minister Boris Johnson of the United Kingdom on the AUKUS Security Partnership."

¹⁵⁰ Chan and Rublee, "The Promise of AUKUS: Implications of Its Minilateral Institutional Form."

defence technology are coming down as they both recognise the need for a secure Indo-Pacific. The Five Eyes already connected Australian intelligence to American and British intelligence, AUKUS only reinforces this connection as it now connects Australian industry to American and British industry, which is a clear sign of intention in that it is more permanent. While Intelligence sharing can be scaled back and comes at a small cost, industrial integration with a clear and hefty financial commitment is much harder to reverse.¹⁵¹ Playing the devil's advocate, the effect on Australian strategic autonomy is also substantial. Formal sovereignty remains, and Australia can still say no, but now the costs of saying no are higher than they were. Saying no to the United States on a submarine related issue would mean disrupting a program that employs thousands of Australians, that depends on American technology, and that requires American political support.¹⁵²

This highlights the issue that integration in this case is asymmetrical. Australia integrates into American and British systems, while American and British systems do not need to integrate into Australia. The technology flows one way, and subsequently the decision making does the same. Australia gains capabilities it could not otherwise afford, however it equally loses options it might otherwise have kept. That is the trade-off, yet it is seen as essential. This trade-off has been subject to a lot of domestic debate, which will be discussed further later on.

¹⁵¹ Markowski, Wylie, and Chand, "The AUKUS Agreement: A New Form of the Plurilateral Defence Alliance? A View from Downunder."

¹⁵² Ibid.

5.3: The Chinese Response

This section examines the Chinese response to AUKUS. Beijing has labelled the pact a containment strategy, and is correct in doing so. Diplomatic pressure and economic coercion from Beijing have both been touted as potential counter-measures.

China was understandably concerned and displeased with AUKUS. Beijing saw the pact as proof that the US, UK, and Australia were building a wall around China. The official response came quickly. The Chinese Foreign Ministry issued a statement on 16 September 2021, the day after the announcement, that in no uncertain terms stated that AUKUS would damage regional stability.¹⁵³ The statement accused the US and the UK of undermining global nuclear non-proliferation efforts, using it as a tool of a geo-political game that also adopted double standards with regards to their own non-proliferation rhetoric that both states have spoken about in recent decades. They labelled the deal as extremely irresponsible and also advised other states in the region that they should begin to question Australia's commitments to non-proliferation.¹⁵⁴ Australia of course was not acquiring nuclear weapons, however China said it was blurring the line. State media went in the same direction, later that month, the Chinese Ministry of Foreign Affairs said the pact would cause five main harms to the region: that the move may trigger the risk of nuclear proliferation, that the move may induce an arms race, the move may undermine regional prosperity and stability, the move may sabotage the building of a nuclear-free zone in South-East Asia, and that the move may lead to the resurgence of the Cold War mentality.¹⁵⁵ The framing was consistent. For China, AUKUS was not defensive, but it was aggressive. It was not about Australian security, it was instead about containing China.

¹⁵³ Lijian, "Foreign Ministry Spokesperson Zhao Lijian's Regular Press Conference on September 16, 2021."

¹⁵⁴ Ibid

¹⁵⁵ "Wang Yi: U.S.-Britain-Australia Nuclear Submarine Cooperation Causes Five Harms to the Region."

We should also take the AUKUS alliance in the context of other arrangements such as The Quad and Five Eyes. AUKUS serves as an example of the growing web of US led alliances in the region. From this perspective, AUKUS is not an isolated event, but it is part of a pattern that increasingly served to mitigate the influence of China. Official Chinese statements doubled down on the opinion that these events served to enhance a Cold War mentality, as they accused the US of ganging up with others to create a ‘small Anglo-Saxon clique’ that undermined the international rules-based order and put self-interest over international cooperation.¹⁵⁶

As expected, the Chinese response to AUKUS was not hysterical but strategic. Beijing understood that it could not stop the pact. It understands that Australia is a sovereign state that has the right to seek whichever alliances it likes, so it could not force them to cancel the deal. What it could however do was raise the political costs, making AUKUS look dangerous to neutral states, as it alluded to in its warning to certain South-East Asian states.¹⁵⁷ It could frame the pact as evidence of Western aggression, and use the agreement to justify its own military build-up, which will be examined later in this thesis. For Australia, the Chinese response confirmed that AUKUS would not go unnoticed. Even if the submarines were still decades away, the political consequences were immediate.

¹⁵⁶ “Foreign Ministry Spokesperson Hua Chunying’s Regular Press Conference on September 29, 2021.”

¹⁵⁷ “Wang Yi: U.S.-Britain-Australia Nuclear Submarine Cooperation Causes Five Harms to the Region.”

5.4: Regional Reactions Around the Indo-Pacific

This section examines regional reactions to AUKUS, which were varied, and helps us understand the broader geo-political situation in the region. Japan welcomed the pact, while ASEAN, being heavily embedded with China, was significantly more cautious. The deal reflected deeper divisions in the region.

Japan was the first to welcome the pact. Within days of the September 2021 announcement, Japanese officials issued statements of support. The statement was very brief but the language was supportive, with Japanese foreign minister Toshimitsu welcoming AUKUS as a sign of strengthening engagement in the Indo-Pacific.¹⁵⁸ This should not come as any real surprise, as the agreement reinforced the architecture that Japan already relied on, being the US alliance, the Quad, and a general centuries-long rivalry with China.

The reaction within ASEAN was different. The dominant sentiment was caution, not enthusiasm, as China had warned them. Indonesia was one of the most openly concerned, and the Indonesian Foreign Ministry issued a statement expressing concern about the developments, warning about an arms race in the region, and expressing the need for non-proliferation.¹⁵⁹ Malaysia similarly echoed these concerns, claiming the move could provoke other powers.¹⁶⁰ All of these sentiments went in line with the Chinese point of view, and their timing is worth noting. All of these statements came within days of China's criticism of the pact, which demonstrates the grip that it holds on the region.

¹⁵⁸ "Press Conference by Foreign Minister MOTEGI Toshimitsu."

¹⁵⁹ "Statement on Australia's Nuclear-Powered Submarines Program."

¹⁶⁰ Dziedzic, "Malaysia Warns Australia Nuclear Submarine Project Could 'Provoke Other Powers' in Asia."

The response from the Philippines was quite the opposite, as it has its own security concerns with China. It is also a close ally of the US, therefore it fell closer to the Japanese stance on the issue. AUKUS did not threaten Philippine interests, and it in fact advanced them. The Philippines' precarious position in the South China Sea has made it subject to aggression from China, who continues to maintain its claims to various islands in the region, so from the Filipino perspective, AUKUS served as an effective counterbalance to Chinese aggression. The Secretary of National Defence of the Philippines, Delfin Lorenzana, even went as far as to say that the Philippines also maintains the right to improve its submarine defence capabilities.¹⁶¹

Both Vietnam and Singapore were careful in their analysis, as they both have been historically supportive of American military presence in the region, but similarly to Australia, remain heavily embedded economically with China.¹⁶² They both therefore do not want to be seen as choosing sides, and AUKUS put them both in a difficult position where they judged that distancing themselves from either side would be the best option.¹⁶³ Thailand in a very similar vein barely responded, as it is also an ally of both the US and China, though another reason for its lack of response has been given due to the fact that its government was distracted by domestic politics at the time.¹⁶⁴

The mixed consensus within ASEAN is representative of its lack of ability to deal with the increasing threat that China poses to them, especially concerning the delicate situation in the South China Sea. ASEAN did not exactly present a united front on the issue, which reflects the varying interests that each member state holds.¹⁶⁵ The division between Japan and ASEAN reflected deeper

¹⁶¹ Cruz de Castro, "Philippines Enhances Ties with AUKUS."

¹⁶² Choong and Storey, "Southeast Asian Responses to AUKUS: Arms Racing, Non Proliferation and Regional Stability ."

¹⁶³ Ibid.

¹⁶⁴ Ibid.

¹⁶⁵ Ibid.

structural differences. Japan is a security ally of the United States, and it made its choice which was quite simple to make. ASEAN states on the other hand are not necessarily always allies, they are sovereign states that must position themselves the best way they see fit. They want to keep their options open, however pacts such as AUKUS close options, which is a worrying sign for these such states that may be caught in the middle.

For Australia, the regional reaction served as a mixed report card. Japan's support was valuable while ASEAN's caution was neither disastrous nor ideal. But there is a fear that the caution could harden into opposition. If AUKUS leads to greater militarisation, if it draws the region into sharper confrontation, ASEAN states will likely blame the pact and its creators. Continuing Chinese investment in the region as part of the BRI may also further exacerbate these tensions, and lead some of these states to lean closer to China in the future. For Australia, this represents a great risk, and does create a future situation in which the pact may yet backfire.¹⁶⁶

5.5: Domestic Debate Within Australia

Having discussed what the regional repercussions of AUKUS may be, it is equally important to understand the domestic debate surrounding it, as these debates can help us understand the future direction that AUKUS may take. Concerns over both cost and sovereignty have been at the front of the debate. The support for AUKUS has been bipartisan, since 2021 both the Liberal and Labor Parties have been in charge in Australia and they have both maintained their commitment to delivering on AUKUS. The public reaction is mixed.

¹⁶⁶ Li, "ASEAN's Responses to AUKUS: Implications for Strategic Realignments in the Indo-Pacific."

Cost is the simplest source of the animosity. The submarines will cost a total of AUD 376.6 billion over the duration of the decades-long project according to the Federal Government.¹⁶⁷ While this figure appears to be a huge amount, it does not significantly increase Australia's yearly military spending, which has always remained stable at between 1.6%-2.1% every year since the mid-1990s, and no spike was seen following the announcement of AUKUS, nor is a significant one projected in the future.¹⁶⁸ Despite this, one will only understand this if they look deeper and analyse the numbers, and the reality is that most of the public do not. Even a few years on from the initial announcement of the agreement, headlines are still plentiful and often critical about AUKUS, and media outlets with large followings such as the ABC continue to run stories that are critical of the project, often citing the cost of the project as the main downside.¹⁶⁹ Criticism even came from former PM Turnbull, who stated that he had never seen a deal as bad as this one.¹⁷⁰

Sovereignty is the other issue at hand, though on this front, studies have pointed to an Australian public that is becoming increasingly more concerned about the rise of China and national security as a whole, therefore granting the government some leeway to push its stance on the importance of the project.¹⁷¹ Other studies have analysed internet search data that arrive at the same conclusion.¹⁷² Opinion polling shows that within the Australian public, only 28% of Australians trust China to act responsibly in the world,¹⁷³ and the US' figure for the same question stands only slightly higher at 31%,¹⁷⁴ with just 21% stating they have confidence in Donald Trump to do the right thing in world

¹⁶⁷ "The Cost of Nuclear Submarines" (Canberra: Australian Parliamentary Budget Office, April 14, 2023).

¹⁶⁸ World Bank, "Military Expenditure (% of GDP) - Australia | Data."

¹⁶⁹ Stein and Priadko, "Why the AUKUS Deal Is Still a Controversial and Perplexing Issue for Most Australians."

¹⁷⁰ Turnbull, Doogue, and Macdonald, AUKUS Investigated 04: The 51st US state?

¹⁷¹ Medcalf and Wilford, "No Worries? Australian Attitudes to National Security, Risk and Resilience."

¹⁷² Liu, "AUKUS: Public Opinions."

¹⁷³ Lowy Institute, "Trust in China - Lowy Institute Poll."

¹⁷⁴ Lowy Institute, "Trust in the United States - Lowy Institute Poll."

affairs.¹⁷⁵ Nonetheless, the decision was taken without consulting the public, and in embedding itself into the US and UK's military projects, Australia opens itself up to any volatility that could arise within either of those nations. Canberra will still make its own decisions, but the problem is that decisions are shaped by capabilities, and if Australia's submarines depend on American and British technology, supply chains, and political support, then Australian decisions will be shaped by the interests of both of those nations. While it is not a loss of sovereignty, it is loss of some strategic autonomy.¹⁷⁶

The only notable political opposition to the project has been from the Greens, where a simple search on their web page will show a scathing criticism of the project, citing cost concerns and a strong distrust of the Trump administration's intentions to deliver on the promises outlined in the pact.¹⁷⁷ Though overall, it can be said that the existence of the pact itself is rarely put into question between the two major parties.

Further polling has indicated an encouraging support towards the project, indicating that as of 2025, 67% of Australians are either 'somewhat' or 'strongly' in favour of AUKUS.¹⁷⁸ There is however an apparent regional split, with Western Australia, home to one of the submarine bases, being the most supportive at 72%, and at the other end, Victoria is the least supportive at 60%.¹⁷⁹ Nonetheless, even 60% can be seen as an encouraging figure for advocates of the project. These polls and broader domestic debate matter for this study because it reveals something about Australian identity. The question of whether Australia is an independent middle power or a junior

¹⁷⁵ "Confidence in World Leaders - Lowy Institute Poll."

¹⁷⁶ Markowski, Wylie, and Chand, "The AUKUS Agreement: A New Form of the Plurilateral Defence Alliance? A View from Downunder."

¹⁷⁷ "Get Out of AUKUS | The Australian Greens."

¹⁷⁸ Neelam, "AUKUS: Nuclear-Powered Submarines."

¹⁷⁹ Ibid.

ally is not just an academic question, but has now been reframed as a live political question, and AUKUS has forced Australians to confront it

5.6: AUKUS as an Indicator of a Shift from Hedging to Alignment

For decades, Australia tried to walk the tightrope between trade with China and security with the US. This hedging meant keeping options open, and avoiding a clear pivot either way. AUKUS has complicated this situation, and suggests that the era of hedging may be on its way out.¹⁸⁰ It should be noted that hedging is not the same as neutrality. Australia since its independence as a country in 1901 was never neutral. Both World Wars and the Cold War saw to that. But hedging allowed Australia to manage the tension between its largest trading partner and its most important security partner over the last few decades. It was a robust policy that allowed Australia to develop its economy and become the state that it is today. In the past, the security relationship could deepen without damaging the economic one. However, with the rapid rise of China in recent years, the relationship has grown complicated, and the risks have been increased.¹⁸¹ The hedging strategy worked for a long time. China joined the World Trade Organisation in 2001 and became a more embedded international economic player thanks to its rapid industrialisation, and Australian exports to China also boomed around that period, as trade exports to China soared from just 2.4% of total Australian exports in 1990-91, to 23.7% in 2010-11.¹⁸² All the while, the US remained Australia's main security guarantor.

¹⁸⁰ Korolev, "Transition from Hedging to Balancing in Australia's China Policy: Theoretical and Empirical Explorations."

¹⁸¹ Ibid.

¹⁸² "Australia's Trade Performance 1990-91 To 2010-11."

AUKUS shifted the status quo that had served Australia well for decades, though increasing Chinese influence in the Indo-Pacific rendered the pact necessary in the eyes of many.¹⁸³ The agreement is a structural commitment that locks Australia into decades of development and even closer partnership with the US and UK. It is an agreement that requires integration with American and British supply chains, it requires Australian engineers to learn American and British systems, and most importantly it requires Australian doctrine to align with American and British doctrine for many years to come. With all of this considered, it can be established that this goes beyond just hedging, and moves into the realms of dedicated alignment.¹⁸⁴

The difference between AUKUS and economic agreements is that the latter can be more easily renegotiated. A diplomatic statement can be walked back, tariffs come and go with regularity. On the other hand, a nuclear submarine program with a dedicated level of spending cannot be easily unwound. Once the submarines are built, the supply chains are established, and the workforce is trained, Australia is locked in. The costs of reversing course would be extreme, not to mention the political disaster and media uproar it would cause. Hedging requires flexibility. The hedger must be able to adjust the balance between competing powers as circumstances change. AUKUS reduces that flexibility, though it does not eliminate it entirely. Australia can still trade with China, it can still host Chinese students, and it can still negotiate with Chinese diplomats. But the security relationship is now weighted heavily toward the United States in ways that cannot be easily adjusted.¹⁸⁵

We can see that none of this means that Australia has abandoned engagement with China. As already established, the rate of trade of essential resources such as iron ore has remained stable

¹⁸³ Townshend, "The AUKUS Submarine Deal Highlights a Tectonic Shift in the U.S.-Australia Alliance."

¹⁸⁴ Ibid.

¹⁸⁵ Ibid.

despite political fluctuations. Engagement, trade, and diplomacy continue, however the balance has shifted and the centre of gravity has moved. Australia's actions tell us that it is no longer trying to stand in the middle, or at least not as much as it once did. It has recognised that the situation is changing and it has chosen a side. This shift from hedging to alignment is the central argument of this thesis, and AUKUS serves as the clearest evidence. The submarines are only the surface, it is the broader integration and the dedicated decades-long financial commitment that is the real point of interest.¹⁸⁶

¹⁸⁶ Ibid.

Chapter VI: The Taiwan Question

6.1: Taiwan as a Barometer of Australia's Positioning

This chapter examines the Taiwan question. Along with AUKUS, Australia's position towards Taiwan serves as the most telling indicator of Australia's positioning. How Australia responds to a crisis over Taiwan will reveal whether the shift from hedging to alignment is as complete as AUKUS suggests. The official position is clear enough. Australia recognises the One China policy and does not recognise Taiwan as a sovereign state, though it maintains unofficial relations with it, and trade is regular. The line it cannot cross though is in establishing diplomatic relations. This system has worked for decades, it allows Australia to engage with Beijing and Taipei simultaneously, and it avoids forcing a choice.¹⁸⁷

The problem is that the choice is coming. China's military activity around Taiwan has increased,¹⁸⁸ meanwhile American statements about defending Taiwan have become less ambiguous.¹⁸⁹ The status quo does not seem to be as stable as it once was, it is eroding, and Australia in the near future may have to decide what it is willing to do in the scenario of an escalation.¹⁹⁰ The Australian government has tried to avoid that decision. Official statements repeat the same careful rhetoric of reaching a peaceful resolution, maintaining the status quo, and opposition to unilateral change. The words are careful and the meaning is deliberately unclear. The government will not say whether it would support potential American military intervention if China attacks Taiwan because saying yes

¹⁸⁷ Davis, "Australian Engagement with China (1972-2018): A Cluster Concept Assessment."

¹⁸⁸ Hart, "China Escalates Cross-Strait Military Activity Under Taiwan President William Lai."

¹⁸⁹ Montgomery and Yoshihara, "Conquering Taiwan by Other Means: China's Expanding Coercive Options."

¹⁹⁰ Taylor, "Taiwan: What Could, Should and Will Australia Do?."

would provoke Beijing, and saying no would undermine the military relationship with the US.¹⁹¹ A careful silence has therefore been the only option. But Australia's foreign policy behaviour in recent years through AUKUS, acquisition of weapons systems, and rhetorical alignment with American statements on regional stability all point in the same direction that Australia is preparing to stand with the United States. The question now seems to not be whether, but rather to what extent.¹⁹²

The Labor Party has historically been more cautious on Taiwan than the Liberal Party. The Albanese government has tried to lower the temperature, its official statements are less confrontational, and diplomatic engagement with China has improved under his government.¹⁹³ The rhetoric of deterrence has been dialled back, but the realities of AUKUS remain, the submarines are still coming, and the military integration continues. Taiwan is the most effective barometer because it concentrates every tension in Australian foreign policy. It puts Economic dependence on China side-to-side with security dependence on the United States.¹⁹⁴

6.2: Australia and the One China Policy

This section examines Australia and the One China policy in more detail. The policy is officially stable, however its implications leave room for interpretation. How Australia defines the status quo, what it considers unacceptable change, and how it would respond to coercion are important questions in understanding Australia's position, yet the official position does not answer them.

The policy has two parts. The official part is recognition. Australia has diplomatic relations with Beijing, while it does not have diplomatic relations with Taipei. The unofficial part is engagement.

¹⁹¹ Ibid.

¹⁹² Ibid.

¹⁹³ Laurenceson, "Just How 'Naïve' and 'Fuzzy' Is the Albanese Government's Approach to China?."

¹⁹⁴ Taylor, "Taiwan: What Could, Should and Will Australia Do?."

Australia trades with Taiwan, Australians study in Taiwan and vice-versa. The separation between official and unofficial is carefully maintained, but it is also frequently blurred.¹⁹⁵ The One China policy is not unique to Australia. Most countries that recognise Beijing follow the same formula, including of course the US. The formula works because of its ambiguity. What does One China mean in practice? Does it mean Taiwan is part of China? Does it mean Taiwan is a separate entity whose status is undecided? From an Australian standpoint, the policy does not say.¹⁹⁶

China has its own interpretation. For Beijing, One China means Taiwan is a province of China. That has been their hard-line interpretation since the issue first arose.¹⁹⁷ Australia has never fully endorsed this view, but has never rejected it either. The official position is that Australia takes no position on Taiwan's status beyond recognising Beijing as the capital of China, and as long as Taiwan is not attacked, as long as the cross strait relationship is peaceful, and as long as Beijing does not force the issue, Australia can maintain its ambiguous position, though the problem is that the status quo is under pressure.¹⁹⁸ The strategic environment underpinning Australia's Indo-Pacific policy is increasingly shaped by structural shifts in US–China relations and the erosion of long-standing regional equilibria. In the case of Taiwan, scholarly assessments suggest that the previously stable condition of 'strategic ambiguity' is becoming less secure, as both Chinese military activity and American signalling have intensified. China has significantly expanded the scale and frequency of air and naval operations around Taiwan, with analysts interpreting these actions as rehearsals for potential blockade or contingency scenarios rather than purely symbolic demonstrations of force.¹⁹⁹ At the same time, Chinese official discourse has become more explicit

¹⁹⁵ Tow and Yen, "Australia–Taiwan Relations: The Evolving Geopolitical Setting."

¹⁹⁶ Ibid.

¹⁹⁷ Liff and Lin, "The 'One China' Framework at 50 (1972–2022): The Myth of 'Consensus' and Its Evolving Policy Significance."

¹⁹⁸ Tow and Yen, "Australia–Taiwan Relations: The Evolving Geopolitical Setting."

¹⁹⁹ Mastro, "China's Huge Exercises Around Taiwan Were a Rehearsal, Not a Signal, Says."

in framing reunification as a core national objective linked to sovereignty and national rejuvenation, reinforcing the long-standing position that Taiwan is an inalienable part of China.²⁰⁰ The clarification may come through action rather than words. Australia's participation in military exercises with the United States sends a signal, and its acquisition of submarines sends another one. Neither signal is about Taiwan directly, but both signals are understood in Beijing as having implications for Taiwan.²⁰¹

6.3: Taiwan Within the AUKUS Framework

AUKUS does not mention Taiwan, as doing so would be too overt a measure in the pact's intention to counter China's influence in the region. The submarines that AUKUS will deliver are not aimed specifically at Taiwan, they are aimed at the broader Indo-Pacific region, and that environment does of course include the Taiwan Strait.²⁰²

The nuclear submarines have range, and can operate far from home, staying submerged for months at a time, and they can patrol waters that conventional submarines cannot reach. The waters between China and Taiwan are shallow, contested, and most importantly, they will be within range of Australian submarines.²⁰³ From the American perspective, The US sees AUKUS as a contribution to deterrence of China's behaviour towards Taiwan, while American officials do not

²⁰⁰ Shirk, "Taiwan 'A Question of Regime Survival'."

²⁰¹ Cox, Cooper, and O'Connor, "The AUKUS Umbrella: Australia-US Relations and Strategic Culture in the Shadow of China's Rise."

²⁰² Tow and Yen, "Australia-Taiwan Relations: The Evolving Geopolitical Setting."

²⁰³ O'Rourke, "Navy Virginia-Class Submarine Program and AUKUS Submarine (Pillar 1) Project: Background and Issues for Congress."

say this explicitly, the logic is clear. Stronger allies mean stronger deterrence, and stronger deterrence in turn means a lower risk of war. In this way, Taiwan benefits without being named.²⁰⁴

The risk of this ambiguous approach is miscalculation. China may assume that Australia will not fight over Taiwan, or it may assume the contrary. In a way, the submarines may become a self-fulfilling prophecy that have set off a chain of events that we will discover in the future. It is certainly a risky predicament, and as demonstrated previously, Australian officials have been careful in labelling it as a move for regional stability, without explicitly mentioning Taiwan, and they have been adamant that it is a defensive arrangement rather than a provocation.²⁰⁵

6.4: Australia's Normative Considerations: Democracy and Human Rights

Australia and Taiwan are both democracies, China on the other hand is not. This fact alone has led many in Australia and in the broader Western world to criticise China and delegitimise anything it does, voices in Australia included.²⁰⁶ While Australia is not in a position where it could officially recognise Taiwan, it does so in other ways, as recognition is not the only measure of affinity.

Australians visit Taiwan, Australian universities recruit Taiwanese students, and Australian companies trade with Taiwanese firms. The relationship is warm even if it is unofficial.²⁰⁷

This warmth has a normative foundation, as Taiwanese democracy looks familiar to Australian eyes. Competitive elections, peaceful transfers of power, independent courts, and a free press are all things that allow Australians to sympathise with the Taiwanese. These are the features Australians

²⁰⁴ Lai, "Bound to Lead: US-Taiwan Relations, Security Networks, and The Future of AUKUS."

²⁰⁵ Chan and Rublee, "The Promise of AUKUS: Implications of Its Minilateral Institutional Form."

²⁰⁶ Johnston, "Is China a Status Quo Power?."

²⁰⁷ Tow and Yen, "Australia-Taiwan Relations: The Evolving Geopolitical Setting."

associate with their own system and have experienced throughout history. Seeing them in Taiwan creates sympathy, and can influence public opinion.²⁰⁸

Chinese officials understand this dynamic, and see it as hypocrisy. From Beijing's perspective, Australia has no business evaluating Taiwan's political system, and touts the usual Western moral superiority that has always been demonstrated by Western states for many centuries. From the Chinese standpoint, Taiwan is a Chinese province, and its internal arrangements are China's concern.²⁰⁹ Similarly, the issue of human rights also gets brought into the picture. Australia has criticised China's treatment of Uyghurs in Xinjiang.²¹⁰ It has also criticised the crackdown on pro-democracy activists in Hong Kong.²¹¹ These criticisms are not about Taiwan, but they are part of the same normative framework that makes Taiwan sympathetic. These sentiments produce a paradox in that Australia is economically dependent on China, yet China is still subject to Australian normative criticism, of which Taiwan may be considered a beneficiary of that criticism. The more Australia criticises China's human rights record, the more sympathetic Taiwan appears, and the more sympathetic Taiwan appears, the more strained the relationship with China could become.

The result is a policy that is neither based principled nor is it particularly cynical. Australia affirms democratic values, yet also is dependent on trade with an authoritarian power. It sympathises with Taiwan, but can do little on its own to defend it. This inconsistency is a feature of a middle power caught between competing systems, and doing the best it can for itself.

²⁰⁸ Ibid.

²⁰⁹ ZHANG, "China and Liberal Hierarchies in Global International Society: Power and Negotiation for Normative Change."

²¹⁰ Wong, "Human Rights Concerns in Xinjiang."

²¹¹ Wong, "Statement on Hong Kong."

Chapter VII: Post-COVID and the Albanese Government

7.1: Post-COVID Trade Diversification

The pandemic did not create Australia's trade problem with China, but it did expose it. When Chinese restrictions hit Australian wine, barley and coal in 2020 and 2021, the vulnerability was already there. COVID just made the response harder. After the pandemic, Australia kept trying to diversify. The effort predated COVID, and it continued afterwards. Its logic was simple, that a state should not put all its eggs in one basket. For Australia, China was the basket, and even though Australia made some efforts to take a few of them out, the eggs were still there.²¹²

The empirical data can show us that Australia has somewhat been able to diversify its export portfolio. In 2019, total exports to China were listed at AUD 168.4 billion, compared to a 2025 figure of 195.6 billion. Comparatively, exports to Japan (Australia's second largest export market) only increased from 60.4 billion to 65.1 billion. However, exports to the US more than doubled, indicating that not only the military relationship was strengthened through AUKUS, but the economic relationship had also taken significant strides.²¹³ The dependence on China however still remained, and as the statistics show, China remains a crucial part of the Australian export economy.

²¹² Waldron, Ferguson, and Lim, "Market Adjustments to Import Sanctions: Lessons from Chinese Restrictions on Australian Trade, 2020-21."

²¹³ "International Trade: Supplementary Information, Calendar Year, 2025."

7.2: The Post-Morrison Era – Albanese’s Diplomatic Reset

Scott Morrison left office in May 2022, and the relationship with China was in worse shape than he found it. Trade restrictions on wine, barley, beef, lobster, coal etc. remained in place. Anthony Albanese inherited this situation upon Morrison’s goodbye, and he made a concerted effort to restore the relationship.²¹⁴ The first step was in his tone towards China, Morrison had been combative.²¹⁵ Albanese dialled it well back. However, in terms of policy action, Albanese continued with AUKUS, the foreign interference laws, and the Huawei 5G ban, indicating the bipartisan sentiment that China continued to pose a real threat to Australia.²¹⁶ The breakthrough came in March 2023, when Penny Wong, the Australian Foreign Minister, met her Chinese counterpart in New Delhi.²¹⁷ It was the first such meeting in years. From here, trade officials resumed talks, and diplomacy started moving again. Wong later that year also went to Beijing, consolidating what had been talked about in the previous meeting.²¹⁸ The results of these meetings were tangible, as the WTO disputes were settled in 2023 for barley,²¹⁹ and in 2024 for wine.²²⁰ As evidenced by these events, the trade relationship can be considered to have stabilised. Albanese visited Beijing in November 2023, which was symbolic of the progress that was achieved. Photos of Albanese shaking hands with Chinese leaders were broadcast around the region, and they issued a joint statement that stressed the importance of a stable and constructive bilateral relationship.²²¹

²¹⁴ Herscovitch, “Caution and Compromise in Australia’s China Strategy.”

²¹⁵ Dziedzic, “Scott Morrison’s Remarks about China Being ‘Chillingly Silent’ over Ukraine Labelled ‘Belligerent Rhetoric’ by Chinese Foreign Ministry.”

²¹⁶ Laurenceson, “Just How ‘Naïve’ and ‘Fuzzy’ Is the Albanese Government’s Approach to China?.”

²¹⁷ “Qin Gang Meets with Australian Minister for Foreign Affairs Penny Wong.”

²¹⁸ “Wang Yi Meets with Foreign Minister of Australia Penny Wong.”

²¹⁹ WTO, “WTO | Dispute Settlement - DS598: China - Anti-Dumping and Countervailing Duty Measures on Barley from Australia.”

²²⁰ WTO, “WTO | Dispute Settlement - DS602: China - Anti-Dumping and Countervailing Duty Measures on Wine from Australia.”

²²¹ “Statement on Joint Outcomes of the China-Australia Annual Leaders’ Meeting.”

Critics on the Australian right accused Albanese of weakness, that he had given up Australian values for trade, and some saw the moves as sucking up to China without receiving anything in return. This criticism is widely unjustified though, as it was a necessary move to restore the economic relationship that had gone astray during the Turnbull and Morrison governments. The reset was not a transformation, but it acted as a repair. The relationship was stabilised, though not restored, largely due to AUKUS.²²²

7.3: Balancing Pragmatism and Strategic Caution

The Albanese government has acted in a vastly different manner with respect to the Morrison government. It has been more pragmatic in its speech, while keeping the actual policies largely the same. That is the main difference between the two, the style has changed but the substance has not.²²³ With regards to the economic relationship, the political moves that the Albanese government made meant it was restored in its entirety (remembering that statistically, the damage was never significant, as China never stopped buying Australian iron ore), though the agricultural and fishing sectors would have certainly been pleased with the improvement in relations, as obstacles related to those exports were settled.

Strategic caution balances out the pragmatism. It is no secret that China is also a military competitor to Australia and its allies, and its naval forces are known to be assertive in the South China Sea. The response has been AUKUS, the Quad, and deeper integration with the United States. The Albanese government has continued all of these. The two pulls create tension which the government manages

²²² Laurenceson, “Just How ‘Naïve’ and ‘Fuzzy’ Is the Albanese Government’s Approach to China?.”

²²³ Ibid.

through separation. Economic issues are handled by trade ministers, meanwhile security issues are handled by defence ministers. The two tracks run in parallel, and they rarely meet.²²⁴

The balancing act is however growing tougher to maintain with every year. Australia is faced with two main realities, firstly, China continues to grow in its economic might and in its influence in the region, secondly, agreements such as AUKUS have embedded Australia further into the Western security sphere. These forces will only keep pushing against each other and will not cancel out. Therefore, the government's job is to keep the friction from becoming fire. So far, the Albanese government has succeeded in doing so. The relationship with China is not warm, nor is it cold. It is somewhere in between, and the government should be content with it staying there for now.

²²⁴ Bisley, "The Quad, AUKUS and Australian Security Minilateralism: China's Rise and New Approaches to Security Cooperation."

Chapter VIII: Analysis

8.1: Success or Not? Evaluating Australia's Balancing Act

This chapter turns to analysis. The question is whether Australia's balancing act has succeeded. The answer at the moment is largely yes. Economic stability can be considered a success, as key export markets were not largely effected during the volatility with China. Security autonomy can also be considered a success, as AUKUS has represented a large step in Australia tightening its defence relations with its closest allies. Sovereignty has of course been maintained as well. Success though depends on the definition. If success means avoiding catastrophe, Australia has succeeded. The economic relationship with China did not collapse despite some certain bumps in the road, and the military alliance with the United States strengthened. If success instead means resolving the underlying tension, Australia has failed, because the contradiction remains. Economic dependence on China persists. Equally, security dependence on the United States persists, and both have for the most part exacerbated since 2015 (especially the alliance with the US). The two pull against each other, and no government has found a way to make them align. This does not bode well for the future, as neither China nor the US are showing signs of losing interest in the region,²²⁵ the Taiwan problem persists, and AUKUS will place further strain on the geopolitical situation in the years to come.

Economic diversification has only produced marginal gains. A recent increase in exports to the US is encouraging, and goes in line with the military development that has also been experienced between the states during this period, but the issue remains that iron ore still goes to China in a

²²⁵ Zaidi, "American Global Supremacy Under Threat? The Chinese Factor."

massive quantity. It is the simple reality that there is no other state on this planet that needs it in the quantity that China does, so this is a problem that holds no clear solution for the foreseeable future.

Security integration has deepened. AUKUS locks Australia into American and British supply chains, which comes with both its benefits and its consequences. The benefit is that AUKUS directly strengthens Australia's military capabilities, while also being a clear demonstration of American and British military commitment and shared values in the Indo-Pacific. However, its consequence is that it leaves Australia open to any political turmoil that may occur in either the US or the UK, which could potentially affect the deal.

The absence of escalation insofar can be considered a decent achievement. Australia has not been dragged into a military confrontation, and has always maintained its sovereignty, and China's economic sanctions have been present but limited in their overall capacity when consulting the statistics. The United States has also not demanded Australia makes a pivot towards them, and has displayed little displeasure with Australia's economic relationship with China, though the increase in trade between Australia and the US may be seen as an attempt by the US to bring Australia closer. The middle ground has held, which was never a guarantee, but holding the middle ground is not the same as standing on solid ground. The ground is shifting. China's military capabilities are growing, and the United States' commitment to the region has so far been adequate, though the Trump administration is being increasingly regarded as less and less reliable to its international partners, and domestic politics within the US could be a cause of volatility in the future.²²⁶ Australia's balancing act therefore also depends on factors beyond its control.

²²⁶ Florian Böller and Jakob Wiedekind, "The Declining Reliability of U.S. Foreign Policy and Its Domestic Sources Under Trump II."

The final evaluation is therefore mixed. On a good day, Australia looks like a competent middle power managing a precarious situation with skill and patience, whereas on a bad day, it looks like a junior ally drifting toward a confrontation it cannot afford and cannot avoid. So far, catastrophe has however been avoided.

8.2: AUKUS and Taiwan as Indicators of Realignment

The two biggest indicators of realignment are AUKUS and Taiwan, who serve as different kinds of indicators but are related at their core, even if that position has not been publicly stated by the Australian Government. One is about hardware, and that hardware can tell us what Australia, the US, and the UK intend to do in the region. The other is about rhetoric, and informs us about what extent Australia would go to when faced with the Taiwan dilemma, and whether they could use that hardware to defend Taiwan.

AUKUS is the evident, hard-line policy indicator. It displays a solid financial commitment to deepening Australia's defence capabilities, while also strengthening its military rapport with the West. It is an agreement that would be very difficult to reverse, and once the submarines are built, they are there to stay. However, the significance of AUKUS is not just the submarines themselves, it is the integration that comes with them. AUKUS means Australian engineers will work alongside American and British engineers, Australian companies will be integrated into American and British supply chains, and Australian doctrine will be aligned with American and British doctrine. This is a level of cooperation that can tell us a lot about the direction Australia has chosen to head in when it comes to military protection.

Taiwan is the other important indicator. Australia's official One China position has not once changed since 1972. There has been no formal recognition of Taiwanese sovereignty since then, and ambiguity was seen as the best course of action. But if we look at it in the context of AUKUS,

combined with Australia's long-standing (albeit unofficial) ties with Taiwan, we can identify that Australia, like many of its allies, is not firmly on the One China train, though it is forced to maintain this position due to the potentially catastrophic consequences it could face should it pivot towards Taiwan in an official capacity.

Officially, the connection between AUKUS and Taiwan is not direct, as AUKUS does not mention Taiwan, nor is Taiwan a party to the agreement. But the logic that underpins AUKUS applies to Taiwan. The submarines are for regional deterrence, and such regional deterrence includes the Taiwan Strait and the South China Sea. The implication is in no doubt clear even if the text is silent. Critics argue that AUKUS is not about Taiwan, and that it is instead about broader regional stability. The argument is not wrong but it is incomplete. AUKUS capabilities would be relevant in any major conflict in the Indo-Pacific, and Taiwan is the most likely location for such a conflict.²²⁷

²²⁷ Cox, Cooper, and O'Connor, "The AUKUS Umbrella: Australia-US Relations and Strategic Culture in the Shadow of China's Rise."

Chapter IX: The Role of the Middle Power in Modern-Day Geopolitics

9.1: Is the Middle Power Theory Under Strain?

The traditional formulation of middle power theory is that middle powers are not great powers, and they do not hold the capacity to shape the system alone. At the same time, they are not small states and they cannot be ignored. They exert influence through coalitions and institutions.²²⁸ The Cairns Group is a great example, as it is a coalition of agricultural exporters that forced the US and European states to negotiate. No single member could have done it alone, yet together, they mattered.²²⁹ The theory assumed a permissive environment, where multilateral institutions were open, and coalitions could form across blocs. Economic and security relationships could be separated, like in the case of Australia, and a country could trade with one power and militarily align with another, without the two tracks ever colliding. Some scholars argue that the liberal international order in which this was permitted is beginning to crumble.²³⁰

Australia's classic middle power status remains intact. Tools such as diplomacy, coalition building, and institutional engagement are all still used. But the environment in which they are used has changed. The tools do not work the same way, and a coalition that forms within an alliance structure is not the same as a coalition that forms across rival blocs. The former reinforces alignment, whereas the latter second expresses genuine autonomy. Australia's coalitions are now

²²⁸ Cooper, Higgott, and Nossal, *Relocating Middle Powers : Australia and Canada in a Changing World Order*.

²²⁹ Richard A. Higgott and Andrew Fenton Cooper, "Middle Power Leadership and Coalition Building: Australia, the Cairns Group, and the Uruguay Round of Trade Negotiations," *International Organization* 44, no. 4 (1990): 589–632, <https://doi.org/10.1017/s0020818300035414>.

²³⁰ Ikenberry, "The End of Liberal International Order?."

evidently leaning towards the former.²³¹ The strain on middle power theory is visible in the gap between rhetoric and structure. As has been demonstrated throughout this thesis, Australian officials still speak the language of middle power diplomacy, talking about the rules based order and coalition building.

Australia is embedded in a United States led security architecture in ways that constrain its autonomy. The words describe an aspiration, yet the structure of the agreement describes a fact. The theory is adaptable in the sense that it can incorporate the idea of constrained middle power agency. It can also distinguish between different types of coalitions, recognising that the permissive environment of the late Cold War and early post-Cold War period was an exception rather than a rule. The alternative is to abandon the category altogether, which would be a loss. Middle power theory captures something real about states like Australia in that they are not great powers, nor are they small states. The position they occupy can only be described as one in the middle, even if the content of that position varies with the structure of the system.²³²

9.2: Is Australia Truly a Middle Power or Just an Embedded Ally?

Having analysed the middle power theory, can we truly place Australia within it? It can be said that Australia looks, talks, and acts like a middle power. But the structure beneath the surface perhaps tells us a different story. Australia is a middle power in the sense that it builds coalitions such as the Quad, and it does pursue trade diversification, even if it comes with limited success. It manages relations with China with pragmatism, and we can look at the Albanese government's diplomatic

²³¹ Abbondanza, "Whither the Indo-Pacific? Middle Power Strategies from Australia, South Korea and Indonesia."

²³² Korolev, "Transition from Hedging to Balancing in Australia's China Policy: Theoretical and Empirical Explorations."

reset as textbook middle power behaviour, where restoration was the aim. The case for Australia now being an embedded ally is newer, and has only come about as a result of AUKUS, which changed the equation. Australia is now a state that has now accepted being heavily entrenched with American and British military thinking. They are the signs of a partner that has chosen a side, but also of one that has nonetheless submitted to a state that is more powerful, even if it is an ally.

For the moment, it is reasonable to continue to regard Australia as a middle power, though this position may come under review as we learn over the next decades the extent to which AUKUS will render it as more of a military extension of the US. The difference between a middle power and an embedded ally is not black or white, it is a spectrum. It is fair to say that Australia has moved slightly along it, but it has not yet reached the far end, though a step perhaps has been taken.

9.3: The Collapse of Hedging in High Politics

Hedging was never a perfect description of Australian policy, though it was a useful estimation. It captured the idea of keeping options open. Trade with China, combined with security with the United States. The policy assumed that economics and security could be separated. That assumption was valid for a long time, but is now showing the initial signs of breaking down. The breakdown is most visible in high politics. Defence, intelligence, and technology are some of the most important domains for a state, as they relate to the state's sovereignty. These are the domains where hedging is becoming more difficult. AUKUS can serve as evidence of this.²³³ Alliances such as the Quad and Five eyes also reinforce this point, as they further embed middle powers into strategic partnerships. The problem deepens when you couple economics and security. In the case of Australia, critical minerals are the clearest example. Australia has them in good quality and in large amounts, and

²³³ Ibid.

China is the only buyer in those quantities, making the countries linked, whether they want to be or not.

High politics is where the collapse matters most. Defence, Intelligence, and technology are not areas in which ambiguity is safe. Allies want clarity, which Australia has provided, and the clarity is alignment with the United States. Despite this, the rhetorical commitment to hedging remains. We can see this through Albanese's commitment to rapprochement with China following the issues experienced during the Turnbull and Morrison Governments. Other middle powers can take Australia's situation as a cautionary tale. Hedging works in a permissive environment, but this is an environment that is becoming less and less common in the world. Middle powers are now being pushed to choose, and being forced to make the choice in and of itself is exactly what many of these states would like to avoid.²³⁴

9.4: Structural Constraints v Strategic Choice

Did Australia choose its path, or was its path chosen for it? The fair answer would be a mixture of both, although the structural constraints side is heavier. This question is important in understanding whether Australia chose its fate or if it was largely decided for it. While of course sovereign governments are free to make decisions, they also are constrained by the realities in which they find themselves.

The case for agency is straightforward but limited. Australian governments made specific choices such as The Huawei ban or the FITSA, and equally, its decision to join AUKUS was taken with

²³⁴ Shin, Alden, and Higgott, "Re-Imagining Middle Powers in an Age of Global Transformation."

liberty. Each decision could have gone the other way. The government could have allowed Huawei to bid for 5G contracts, but instead it did not. It also could have kept quiet about foreign interference, but it instead did not. It could have even stuck with the French submarine contract, but it did not. These were acts of will, not reflexes.

The case for structure is however stronger. The choices were made in an environment that heavily weighted certain outcomes. For example, The US and other aligned partners pushed for the Huawei ban. Therefore not banning Huawei would have meant diverging from the United States, which would have carried its own price. The structure in this case certainly influenced the choice. Equally, when examining the economic relationship with China, the simple fact is that in the current reality, Australian iron ore can only be sold to China in that quantity. Geography also is a factor, China is the closest superpower to Australia, and it is the world's largest producer of goods, so it is nearly impossible for Australia to avoid them, even if they wanted to. AUKUS is another example of structured agency. The French contract was failing, and the delays and increase in costs were not political choices, they were simply technical realities. In the end The US and the UK offered a nuclear alternative that appeared more enticing. Path dependence is the concept that captures this dynamic. Once a decision is made, later decisions are constrained.²³⁵ The initial choice created a path, and then the path narrows future options.

²³⁵ Pierson, "Increasing Returns, Path Dependence, and the Study of Politics."

9.5: Comparative Middle Powers: Japan and South Korea

Australia is not alone in its position. Other middle powers in the Indo Pacific face similar pressures. Japan and South Korea each navigate the a similar strategic environment. Each has responded differently. It is important to analyse these differences, as they reveal what is distinctive about Australia. The similarities in turn reveal what is structural.

Japan is the closest parallel. Like Australia, Japan is allied with the United States. Like Australia, Japan has deepened that alliance in response to China's rise.²³⁶ Japanese defence spending remains high even in the context of Article 9 of its Constitution.²³⁷ The trajectory mirrors Australia's. But Japan has deeper industrial capacity in that it builds more of its own weapons and it depends less on American technology transfers. With respect to Australia, it gives Japan slightly more autonomy.²³⁸

South Korea sits between Japan and Australia. Its alliance with the United States is real. The North Korean threat makes it necessary, and it is an alliance that has remained strong since the Korean War. But South Korea's economic dependence on China is of a similar level to that of Australia, China is its largest trading partner,²³⁹ which means the relationship has to be close, yet it is also uncomfortable due South Korea's close ties to the US.²⁴⁰

The differences across the three cases are significant. The first thing that matters is geography. Japan and South Korea are closer to China, meaning their security concerns are more immediate

²³⁶ Govella and Szechenyi, "Deepening Strategic Alignment: Priorities for the U.S.-Japan Alliance."

²³⁷ Following defeat in the Second World War, the Japanese people forever renounced war as a sovereign right of the nation

²³⁸ Hatakeyama, "A Middle Power's Roles in Shaping East Asian Security Order: Analysis of Japan's Engagement from a Normative Perspective."

²³⁹ "Korea Customs Service Trade Statistics."

²⁴⁰ Mo, "South Korea's Middle Power Diplomacy: A Case of Growing Compatibility between Regional and Global Roles."

than that of Australia (not to mention North Korea as well). Economic structure also matters. Australia's export concentration in resources is extreme, whereas Japan and South Korea are industrial exporters, though South Korea is similarly to Australia dependent on China as it is its largest export market.^{241 242}

But a common trend runs through all of these cases, that strategic ambiguity is declining, and the space for hedging is shrinking. Each country has been forced to make choices that narrow future options, and the avoidance is becoming harder. Australia has chosen differently from each of its peers. It has perhaps gone further than Japan in institutional integration, as a project to the scale of AUKUS has never been seen before in the Indo-Pacific. It has also gone further than South Korea in security alignment relative to economic dependence. The Australian choice is distinctive, and it is also consistent with the structural pressures identified throughout this thesis, such as being a resource dependent economy, and geographically isolated from many of its global allies. These structural factors are what place Australia where it is today.

The comparative perspective reinforces the argument that middle power behaviour is not simply a matter of national character or policy preference. Structure matters, and the current structure of the Indo-Pacific system seems to be shifting towards favouring alignment over hedging. Australia, Japan, and to a lesser extent, South Korea have all aligned, even though structurally, they face different realities.

²⁴¹ Podoba, Gorshkov, and Ozerova, "Japan's Export Specialization In 2000–2020."

²⁴² "Korea Customs Service Trade Statistics."

Chapter X: Conclusion

10.1: Recap of Methodology and Research:

This thesis has sought to answer the question: to what extent has Australia successfully balanced its economic dependence on China with its security obligations to the United States and its Western allies from 2015 through to the present day? The answer is that Australia has insofar been successful, even despite trade disputes with China, which we can certainly say caused a few strains in the economic relationship. With respect to the US, AUKUS is the main talking point, and has insofar proved to be a powerful symbol of strategic alignment with the US. We must note however, that AUKUS is still in its early days, and the submarines are still years from being built. The main concern lies with the future of this balancing act, and the fact that the tightrope is getting thinner. As has been demonstrated, China has expressed serious concern over the implications of AUKUS regarding regional stability and nuclear non-proliferation. Furthermore, the Taiwan question remains ambiguous as to what China could do, and what the American (and subsequently Australian) response would be. As a result of these complications, it is reasonable to predict that we will see a shift from hedging to alignment for many middle powers in the not too distant future, especially in the Indo-Pacific. In the case of Australia, this shift has recently begun, though a total eventual rejection of China would still be unrealistic due to the sheer amount of natural resources such as iron ore that China purchases from Australia.

The analysis has drawn upon theoretical frameworks regarding middle power theory, with concepts such as hedging, alignment, structural constraint, and path dependence being central to its arguments. These frameworks have been placed into the Australian context to better understand its position in the Indo-Pacific, and to predict the direction it might head in next.

The methodology has been qualitative, analysing policy decisions through both primary and secondary sources, including government statements, policy documents, news articles, and surrounding academic literature.

10.2: Limitations and Scope of Analysis

This thesis has focused on Australia's strategic behaviour in the Indo-Pacific during the period of intensifying US-China competition, specifically from 2015 and the signing of the China-Australia Free Trade Agreement to the present day. It examined key policy domains including defence cooperation and trade relations, with particular attention to developments such as the Huawei decision, the FITSA and AUKUS. While comparative references to Japan and South Korea were incorporated, the primary analytical focus remained on Australia as a case study of middle power behaviour under conditions of systemic rivalry. Therefore these conclusions should be regarded as indicative rather than decisive.

The study is primarily based on qualitative analysis of policy documents, official statements, and secondary academic literature. For this reason, it does not include elite interviews or quantitative modelling of economic or strategic dependencies, which could have further enriched the empirical analysis. In addition, certain aspects of defence and intelligence decision-making remain inaccessible due to documents being classified, limiting the ability to fully understand and reconstruct internal policy deliberations.

Finally, the theoretical framework employed, that draws on middle power theory, hedging, and structural constraint remains subject to ongoing scholarly debate, and alternative approaches may produce different interpretations of the same material.

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