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# Navigating a world more prone to conflict



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## Key issues

- Australia's strategic environment is in flux as dissatisfied states seek to revise the post-1945 liberal order. The precise contours of what will replace this order is unclear, but it is unlikely to be as benign as that which preceded it.
- China is at the centre of Australia's threat perceptions. Australia seeks to use all elements of national power to deter China and constrain its efforts to build influence in the Pacific.
- Australia has long relied on its security guarantor, the United States; however, navigating this relationship may become more challenging in light of policy developments in the US.
- Australia's favourable strategic geography may insulate it from the extreme American demands made of other countries; however, Australia's limited defence capabilities may leave it with little room for manoeuvre if the US makes ongoing security guarantees contingent upon making a greater contribution to meeting the challenge posed by China.
- To address this increasingly unpredictable environment, Australia is responding by reaching agreements with other states, pursuing public diplomacy and employing economic power to broaden and strengthen partnerships with allies and friendly states, particularly in the Pacific.
- Looking ahead over the course of the new parliament, greater demands are likely to be made upon Australia to support the liberal order, particularly if the US continues to retreat from the central role it has historically played.

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## Navigating a world more prone to conflict

### Australia's deteriorating strategic environment

Australia's strategic environment is in flux as dissatisfied states seek to revise the post-1945 liberal order that has been the cornerstone of an unprecedented – albeit imperfect – period of peace and prosperity. Whatever replaces this order is highly unlikely to be as stable as the one that has passed. On the contrary, it will likely be characterised by instability and a higher probability of conflict as great powers are emboldened to attempt to re-order the world according to their preferences with little concern for the consequences for weaker states. It may prove to be a historical irony that the [liberal order facilitated the rise of states that now seek to undermine it](#).

### The impact of revisionist states on the international order

A key example of how revisionist states – those that seek to revise the prevailing order – are changing Australia's strategic environment is the collaboration among Russia, China, Iran and North Korea to support Russia's invasion of Ukraine.

[As NATO observes](#), China is 'a decisive enabler of Russia's war against Ukraine through its so-called "no limits" partnership and its large-scale support for Russia's defence industrial base'. Iran also supports Russia's invasion, most notably through the [provision of lethal drones](#). North Korea has provided [artillery shells](#) and [ballistic missiles](#), and [deployed combat troops to Ukraine](#).

Members of this grouping also [cooperate with each other on a bilateral basis](#), highlighted by, for example, Russia and North Korea's [mutual defence pact](#) and China and Iran's [25-year comprehensive cooperation agreement](#).

Australia's Director-General of National Intelligence, Andrew Shearer, [has identified this axis](#) as a 'profoundly troubling strategic development ... one of the strategic challenges of our time'. Indeed, growing collaboration between members of this axis and their connection of the Indo-Pacific, Middle Eastern and European theatres has led some analysts to muse about [the prospect of a global conflict](#).

However, though members of this axis are [united by a common interest](#) in undermining the prevailing international system, their collaboration will likely be constrained by conflicting agendas and limited trust. For example, despite their '[no-limits partnership](#)', there is a [history of distrust](#) between Russia and China, and China must balance its support for Russia with [managing a backlash from Europe](#). Further, [Russia's recent security pact with North Korea](#) can be interpreted as an attempt to [reduce Moscow's reliance on China](#) and show that it has [not ceded its role in Asia to Beijing](#). North Korea, [which also distrusts China](#), similarly seeks to diversify its partnerships and avoid giving China too much leverage.

The US, under President Trump, is also undermining the prevailing order. US Secretary of State Rubio summarised the US view of the liberal order in February 2025, stating it is '[not just obsolete; it is now a weapon being used against us](#)'. In implementing this worldview, the Trump administration appears to be realising the worst fears of its pre-election critics. At home, for example, it risks undermining American democracy by [obstructing independent](#)

[oversight](#), seeking to abolish USAID while lacking the authority to do so ([which lies with Congress](#)), and arguing that the [presidency is beyond the reach of the law](#), [threatening a constitutional crisis](#). While challenging the tenets of liberal democracy at home, it has also begun [to negotiate directly with Russia](#), excluding Ukraine and Europe, to end the Ukraine war, while [amplifying Kremlin disinformation](#). At the time of writing, the US appears to be [conceding to Russia's terms without gaining anything in return](#). [US Defence Secretary Hegseth has stated](#) that Russia will likely retain Ukrainian territory it has seized and that Ukrainian membership of NATO is unrealistic.

Furthermore, Hegseth has [raised questions about ongoing US support for NATO, and about the US role in providing for Europe's security](#), while, at the recent Munich Security Conference, [Vice President Vance accused Europe](#) of impinging on free speech and criticised German liberal-democratic parties for refusing to cooperate with the far-right. He later [met with the leader of Germany's far-right AfD party](#).

The evidence to date suggests that, under the Trump administration, the US is hostile to the liberal order and, as demonstrated by its stance on the Ukraine War, may in fact [align with those who wish to overturn it](#). This is unprecedented and raises uncomfortable questions for Australia concerning the reliability of the US as an ally, [a point Beijing is ready to amplify](#).

Australia and the US will likely continue to share an interest in [deterring Chinese aggression](#) and Australia's [favourable strategic geography may provide it with leverage](#) to help it to deter Trump from [making outrageous demands](#). However, Australia's limited defence capability may leave little room to manoeuvre if Trump makes US security guarantees contingent upon [Australia making a greater contribution](#) to addressing the challenge posed by China, such as [increasing the Australian defence budget](#), accommodating [more US military personnel and equipment](#) or placing [restrictions on Chinese electric vehicles](#). Regardless of specific US demands, Trump's approach to governance may ultimately impinge upon the [social licence needed to sustain AUKUS and the ANZUS alliance](#).

## How Australia is navigating a world more prone to conflict

Some commentators have [criticised the lack of alacrity and seriousness](#) with which they believe Australia is addressing its [deteriorating strategic environment](#), while others argue that Australia is in the midst of an [unnecessary 'China panic'](#) promoted by the [media, intelligence agencies and hawkish politicians](#).

However, the government clearly believes that Australia's strategic environment has deteriorated: [Prime Minister Albanese has stated](#) the country is 'confront[ing] the most challenging strategic circumstances since the Second World War, both in our region and indeed around the world'. At the [centre of Australia's threat perception is China](#).

Supporters of this perspective point to Chinese Government actions, including decades of significant annual defence spending increases (officially, China [increased defence spending by 7.2%](#) in 2025); [rejecting international legal rulings](#) about maritime territory it claims; increasing [use of the People's Liberation Army \(PLA\) to intimidate Taiwan](#); regular offensive cyber operations, [including those aimed at Australia](#); [ongoing interference in Australia](#) and [unprofessional military behaviour that has endangered the lives of Australian Defence Force personnel](#). Perhaps of greatest concern is Xi Jinping's reported instruction that the PLA be [ready to invade Taiwan by 2027](#) if so ordered, a step that could precipitate a great-power war.

To position itself in this challenging strategic environment, Australia is pursuing a variety of approaches in the [diplomatic, information and economic domains](#). For information about Australia's military strategy, see the *Issues & insights* article, 'Australia's defence strategy adjusts to an increasingly volatile regional environment'.

## Diplomatic

Australia has sought to stabilise relations with China, which reached a nadir [following Australia's call for an international inquiry into the origins of COVID](#). China has [lifted trade restrictions](#) on Australian goods and [restarted official meetings](#) between the 2 countries; however, '[tensions and suspicions remain](#)'. Some analysts have warned that [China's objectives have not changed](#) and that it will continue its 'deliberately destabilising behaviour in the East China Sea, Taiwan Strait and South China Sea and across its land borders with India and Bhutan'.

Recognising this, Australia has pursued diplomacy with other countries. For example, Australia has concluded agreements with Pacific Island Countries (PIC) to [constrain Chinese influence](#) and reduce the probability that China will be able to [establish a military presence](#) close to Australia.

For example:

- August 2024: the [Australia-Tuvalu Falepili Union](#) entered into force, enabling migration to Australia and requiring Tuvalu to agree any new third-party engagement on defence and security-related matters with Australia.
- December 2024: Australia and Solomon Islands announced an Australian support package [for the Solomons police](#), almost certainly designed to address concerns about the [2022 China-Solomon Islands security agreement](#), which raised the possibility of China establishing a military presence on the island.
- December 2024: [Australia signed a treaty with Nauru](#), committing both parties to agree on any engagement by others in Nauru's security and key critical infrastructure sectors, and agreed that critical infrastructure shall not be used by any third party for security purposes.
- December 2024: Australia and Papua New Guinea (PNG) agreed to deepen ties via Australia's [support for a PNG team to enter Australia's National Rugby League](#) and a [bilateral security agreement entered into force](#). The BBC reported that these deals were designed to [frustrate China's attempt to gain a regional foothold](#). In February 2025, Australia and PNG announced their intent to [negotiate a defence treaty](#).

These agreements do not conclude the struggle for influence. The Lowy Institute's Sam Roggeveen has suggested [the contest will continue](#) and that '\$140 million [the value of assistance outlined in the deal with Nauru] doesn't scratch the surface of what it takes to compete'. These relationships will require constant attention to sustain them and Australia will likely find that [Pacific perceptions of Australia's response to climate change as being inadequate](#) will remain an irritant in its relationships with PICs, and [an opportunity China will exploit](#).

Australia has enhanced its relationship with Southeast Asian partners. For example, in March 2024, Australia and Vietnam elevated their relationship to the status of a [comprehensive](#)

[strategic partnership](#). In August 2024, Australia signed a [Defence Cooperation Agreement with Indonesia](#) to enhance practical cooperation and interoperability between their militaries. Australia [works through the Quad](#) (alongside India, Japan and the US) to provide public goods in areas such as [health](#), [maritime domain awareness](#), [cybersecurity](#) and [climate change](#), and a [recent statement by Quad foreign ministers](#) hints that the group may [adopt a more overt focus on security cooperation](#).

As noted above, Chinese, Iranian, North Korean and Russian collaboration connects a number of theatres. In recognition of this, Australia, as part of the Indo-Pacific Four (IP4), alongside Japan, South Korea and New Zealand, is [pursuing closer collaboration with NATO](#). At a 2024 NATO meeting, Defence Minister Richard Marles [noted the importance of Australian engagement with NATO](#), highlighting that Australia has a stake in the outcome of the Ukraine War, and hinting that, should China perceive that Russia is ultimately successful, it may be [emboldened to attack Taiwan](#).

The AUKUS agreement with the US and UK – [described in a joint leaders statement](#) as a ‘new security partnership that will promote a free and open Indo-Pacific that is secure and stable’ – will help Australia to contribute to a favourable military balance that could deter such an attack. Should the agreement proceed as planned, it will enable Australia to acquire nuclear-powered submarines and promote collaboration on cutting-edge military technologies between the 3 partners.

However, some critics, such as the Australian Greens, argue that AUKUS endangers Australian security and that its funding should be redirected towards domestic initiatives, such as [expanded health care and affordable housing](#). They advocate Australian withdrawal from AUKUS, citing fears that Australia’s foreign policy will be ‘[set or dictated to us by the United States of America](#)’, and [concerns about President Trump’s leadership](#).

[Australia appears hesitant to address US actions](#) that undermine the liberal order. Australia will struggle to balance its values with its interests, as perceived criticism of the US may risk alienating the Trump administration upon which Australia relies for its security.

## Information

In the information domain, characterised by public diplomacy and communication, Australia has advocated for the kind of rules-based order – governed by liberal norms – in which middle-power countries can safely operate without being threatened or coerced by powerful states.

For example, in an April 2023 speech, Foreign Minister Penny Wong [addressed the National Press Club to explain](#) ‘how we contribute to the regional balance of power that keeps the peace by shaping the region we want’. She set out the importance of ensuring that strategic space is preserved in which non-great powers can exercise agency, live according to their own laws and values, and make their own choices.

In short, Senator Wong explained, Australia favours a region that is open, stable, prosperous, and predictable, that operates by agreed rules and where ‘no country dominates, and no country is dominated’.

Australia has also sought to promote the rules-based order by stating its support for the International Criminal Court (ICC) after the ICC was criticised for issuing arrest warrants for

Israel's prime minister, Benjamin Netanyahu, and its former defence chief, Yoav Gallant, (alongside Hamas's military leader Mohammed Deif) in relation to Israel's attacks on Gaza.

[Senator Wong noted](#) that Australia 'respects the independence of the ICC and its important role in upholding international law' and that 'all parties to the conflict must comply with international humanitarian law'. Senator Wong has also indicated that Australia would fulfil its obligations as an ICC signatory, which would mean [arresting Netanyahu and Gallant should they enter Australia's jurisdiction](#), noting that any decision 'will be informed by international law, not by politics'.

Such statements also serve a diplomatic purpose by addressing criticisms made by the [Global South](#), which perceives hypocrisy in calls to uphold the rules-based order and believes that [international law is applied selectively](#):

Many in the developing world have long seen a double standard in the West condemning an illegal occupation in Ukraine while also standing staunchly behind Israel, which has occupied the West Bank and Gaza Strip since 1967 and maintains settlements in the former – moves that are considered illegal by most of the international community.

However, [Australia's absence from a joint statement in support of the ICC](#), following the [imposition of US sanctions](#) on the court, is further evidence that Australia will be torn between its values and its interests.

Finally, Australia has also [released statements to highlight dangerous actions by the Chinese military](#), dispelling disinformation and pressuring the PLA to operate responsibly when it encounters Australian and other foreign militaries.

## Economic

Australia uses its economic power to pursue its goals. For example, it [increasingly invests its aid budget in initiatives that promote security](#) (pp. 102–107). This occurs most clearly in the Pacific, where Australia uses aid to [constrain Chinese influence](#) and promote its own. As has been reported of [the 2023–24 aid budget](#):

... most of the Pacific package is made up of \$1.4 billion for security measures, with Defence reprioritising \$923 million from its own budget for increased maritime surveillance, giving patrol boats and other vessels, and infrastructure upgrades such as wharves. DFAT will provide "cyber resilience" including crisis response teams when a Pacific nation suffers a cyberattack.

In addition, Australian aid to Ukraine, in the form of [military, financial and in-kind support](#), can be seen as supporting the liberal order by helping to obstruct Russia from subjugating a sovereign state. This may also [deter China from attempting to invade and conquer Taiwan](#).

Finally, the government [is working with business to advance Australian interests](#). For example:

- July 2022: the government [provided US\\$1.33 billion to help](#) Telstra acquire Digicel Pacific, the Pacific's leading mobile telecommunications and network services provider, a move widely considered to be part of [Australia's effort to constrain China's regional influence](#).
- October 2023: Australia and the US announced a partnership with Google to help [fund the construction of submarine cables in the Pacific](#) to enhance regional internet connectivity

and block China's opportunity to 'make major strategic inroads by tying the region to Huawei cables'.

- December 2024: Australia welcomed the [Commonwealth Bank's decision to establish banking operations in Nauru in 2025](#), replacing the [departing Bendigo Bank, Nauru's only banking provider](#). This followed reports that the state-owned Bank of China had sent a large delegation to Nauru to [discuss providing banking services](#). This agreement was [widely interpreted as an effort to block Chinese influence](#).

## Conclusion

As a middle power, Australia is limited in terms of the contribution it can make to upholding the liberal order. It is therefore likely to seek to cooperate with other like-minded states to maximise the influence it can exert.

However, greater demands will almost certainly be made upon it, particularly if the US continues to retreat from the central role it has historically played in providing public goods such as security, aid and diplomatic support for liberal norms. These demands will likely be substantial – as Sam Roggeveen highlighted, the kind of sums Australia has invested to secure agreements with small states will not scratch the surface in terms of what it takes to compete in a more contested world.

Australia will almost certainly face demands to significantly [increase spending on aid](#) as [major aid contributors slash their spending](#). However, the most challenging demands may be more abstract as Australia's deteriorating strategic situation compels it to think strategically about how best to adapt to a rapidly changing environment and how it can best marshal its resources, likely in concert with others, to achieve its goals.

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