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Australia's defence strategy adjusts to an increasingly volatile regional environment



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Key issues

- During the term of this parliament, members and senators can expect a volatile regional and international environment as Australia's international relationships and national interests come under continued pressure.
- Australia's increasingly volatile strategic environment is characterised by:
 - falling international cooperation and rising competition
 - expanding use of military and economic power to coerce middle powers to act in the interests of superpowers
 - uncertainty about US strategy and reliability
 - rising incidents of confrontational 'grey zone' warfare.
- US–China competition is driving strategic dynamics in the Indo-Pacific. Increased competition generates tension, which could escalate to major conflict with little warning.
- Strategic threat has increased as regional powers increase military 'capability' ([the power to achieve a desired effect](#)) and change the military balance in the Indo-Pacific. The US no longer has a decisive regional military advantage.
- Australia has already reformed its defence strategy and begun programs to increase deterrence by, for example:
 - acquiring new long-range strike capability
 - acquiring conventionally armed, nuclear-powered submarines through AUKUS
 - upgrading and expanding northern military bases
 - equipping the Army to operate around the region
 - boosting the defence industrial base.
- Progress is being made, but it will take 5–10 years to embed the integrated and focused defence capability that is planned. In the interim, Australia is enhancing deterrence through closer engagement with regional security partners.
- The defence budget is under increasing pressure as a result of capability upgrades, increased global demand for military equipment and US pressure for increased spending. Any further regional volatility will lead to more pressure on the budget.

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An increasingly volatile strategic environment

The rules-based international order is under pressure

In the wake of the Second World War, the international community, dominated by the victorious Western powers, built a series of institutions and structures. These were designed to provide security and stability through an international order based on reciprocity, norms of responsible behaviour and respect for the fundamental principles of the UN charter and international law.

This network of relationships between states with shared rules and agreements on behaviour, led by the US and underpinned by US power, is often referred to as the [rules-based international order](#) (or the post-Cold War global order). [Australia remains a strong supporter](#) of that order as a safeguard for regional security and stability.

Over the past decade, the loose '[axis of upheaval](#)' or '[axis of adversaries](#)' (Russia, China, North Korea and Iran) has often resorted to hard power (military and economic coercion) to influence other states, which has increased [pressure on the global order](#).

The 2022 US [National security strategy](#) forecast that the international situation, characterised by geopolitical competition, nationalism and populism, would make it much more difficult to achieve the cooperation necessary to deal with shared challenges such as climate change, food insecurity, terrorism and inflation (p. 6).

It has now become clear that under the Trump administration the [US will also use its hard power](#) to ensure that 'international relations always serves [US interests first](#)'.

The [National defence strategy: 2024](#) (NDS24) warned that strategic competition causes tension and uncertainty and brings an increasing risk of military escalation or [miscalculation](#) that could lead to major conflict in the region (p. 11).

Hugh Jeffrey (Deputy Secretary for Strategy, Policy and Industry in the Department of Defence) argues that the post-Cold War global order is already over and that Australia finds itself in [a long-term struggle among states](#). He says states will compete to shape a new world order using hard and soft power, trade and economics, innovation and technology. This strategic competition 'will drive elevated levels of uncertainty and risk for at least the next decade'.

Commenting on Australia's strategic direction in the [Attorney-General's 2025–26 portfolio budget statement](#), the Australian Security Intelligence Organisation (ASIO) advised:

Australia has entered a period of strategic surprise and security fragility. The prevailing security environment is complex, challenging and changing. Over the medium term we anticipate the security environment will be more dynamic, more diverse and more degraded. We are facing multifaceted, merging, intersecting, concurrent and cascading threats. (p. 187)

Australia has a variety of [instruments of national power](#) to deal with geopolitical challenges (p. 3; 8–9). This article focuses on the defence response to the volatile security environment. Australia's use of other instruments of national power to manage threats is examined in the *Issues & insights* article, '[Navigating a world more prone to conflict](#)'.

Issue 1: Does Australia need a national security strategy?

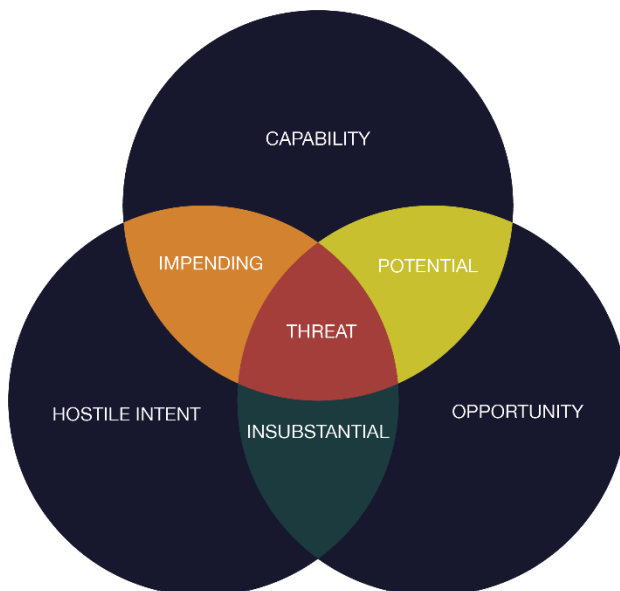
Despite [calls since at least 2000](#) from the Joint Standing Committee on Foreign Affairs, Defence and Trade (p. 181), [Australia does not publish a national security strategy](#) that coordinates all elements of national power. Instead, public-facing security strategy is led by Defence and ASIO. NDS24 introduces a broader concept of 'national defence', but discussion focuses on the contribution of elements of national power to defence rather than on military power as one contributor to national security.

The 2024 book, [Girt by sea: re-imagining Australia's security](#), advocated for a wholesale re-examination of Australia's place in the near region in the context of the geography of its complex maritime environment. It argues that a defence-led strategy is inadequate to grapple with the complexity of interrelated security threats and that a new national security strategy that [coordinates and integrates all arms of statecraft](#) is necessary (pp. 188–193).

Assessing strategic threat

Intelligence analysts assess the level of threat by considering the [intersection of the capability, intent and opportunity](#) of a potential adversary (Figure 1). [Threat is perhaps best understood as relational](#). It depends on who or what is being threatened as much as who or what is doing the threatening. [Risk is a separate concept](#) focused on the likelihood of a threat materialising at a particular time or in particular circumstances.

Figure 1 Threat assessment



Source: Parliamentary Library

Strategic threats in the Indo-Pacific

Regional increases in capability and changes in the military balance

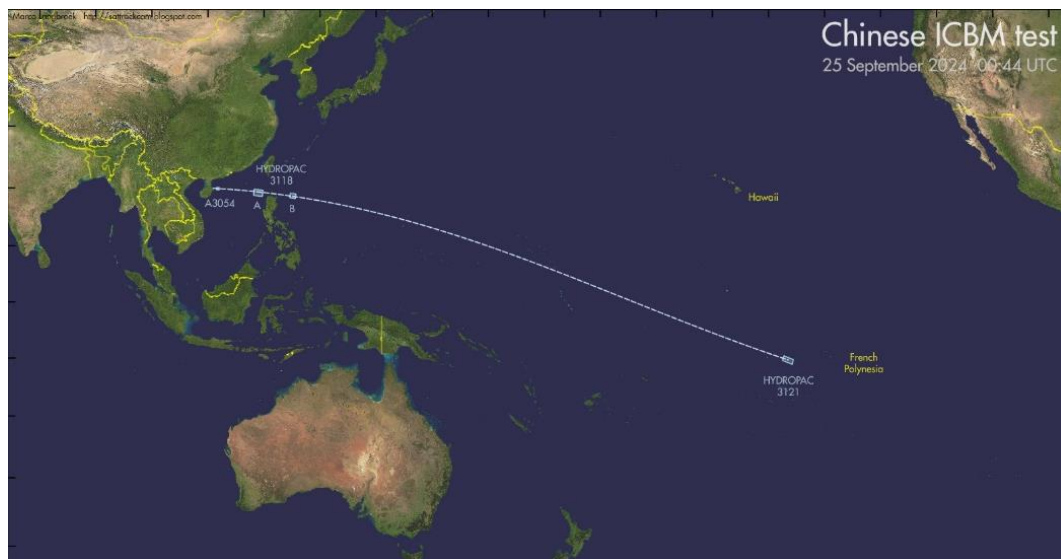
The *2020 Defence strategic update* assessed that [strategic competition between the US and China](#) was driving strategic dynamics in the Indo-Pacific (p. 14) and stated:

Growing regional military capabilities, and the speed at which they can be deployed, mean Australia can no longer rely on a timely warning ahead of conflict occurring.

Multiple countries in the Indo-Pacific are investing in [new and sophisticated weapons](#) with greater range and speed. Longer range weapons have overturned Australia's long-standing advantage of geography because denying access to the sea-air gap to the north [no longer provides protection against a military strike](#) (p. 15).

For example, in 2024 China test fired a land-based intercontinental ballistic missile (ICBM) with the range to reach any part of Australia (Figure 2). North Korea has a [similar capability](#) (p. 15). China's [new H20 stealth bomber](#) is also assessed to have the [range to reach any part of Australia](#) from land bases in China (p. 33).

Figure 2 Chinese intercontinental ballistic missile (ICBM) test launch



Source: SatTrackCam Leiden (b)log, [A Chinese ICBM test launch at full range, into the central Pacific, on September 25](#), plotted from the Navigational Warnings and a NOTAM, 25 September 2024.

While the US held a decisive military advantage in the Indo-Pacific from the end of the Second World War, in 2024 a US Congressional Commission concluded that [China had largely negated the US advantage in the Western Pacific](#) (p. v). It noted that China's military has modernised across the board, but especially in areas that are critical to a conflict in the Western Pacific. The US Defense Department (US DOD) confirmed that [China's army and navy are now the largest in the world](#) and its aviation forces the largest in the region. China has also built space-based capabilities at or near the same level as the US.

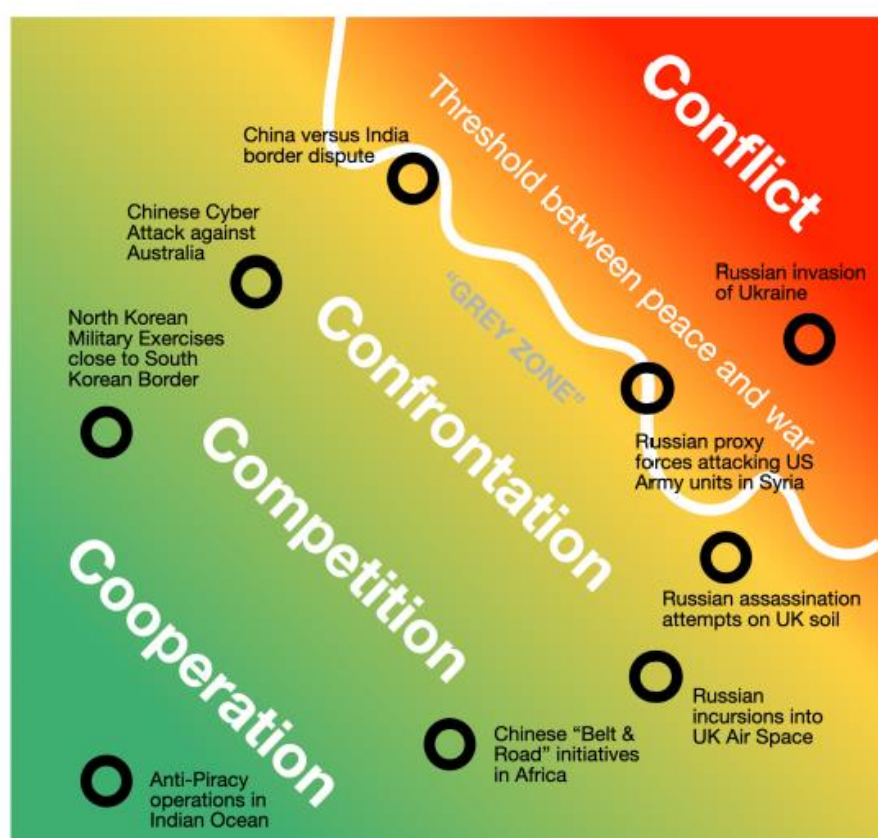
Grey zone confrontation and escalation risk

Australia has expressed [concern about confrontations](#) such as [unsafe interactions with aircraft](#) (pp. 40–41), [unannounced live–fire exercises](#) (pp. 8–9), [cyber attacks and sabotage of undersea cables](#).

Strategic competition can be understood as a continuum that escalates from confrontation to conflict through a 'grey zone' (Figure 3). Action in the grey zone is deliberately ambiguous, but the [potential for miscalculation](#) makes it risky.

[Grey zone confrontation](#) in the region and [foreign interference and sabotage](#) within Australia (p. 4; 5–6) are likely to continue.

Figure 3 The continuum of competition



Source: Nicholas Drummond, [‘A Guide to the 2020 Integrated Review’](#), 6 July 2020.

Uncertainty about US strategy and reliability

US threats to withdraw military support from [Ukraine](#) and [NATO](#), and rumours of the [cancellation](#) of a planned integrated defence command in Japan stoked fear of US isolationism. Churn among higher level defence personnel has affected confidence in military readiness and rapid policy change has added to uncertainty.

On the other hand, according to the newly appointed US senior defence strategy adviser, [Elbridge Colby](#), the US has core interests in the Indo-Pacific because it [cannot allow China to exercise hegemony over the Asia-Pacific trade routes](#). Colby has argued that the US should reduce its forces in Europe and focus its military strategy on the Pacific.

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That transition seems to be occurring. The US has [reinstated the plan for an integrated defence command](#) in Japan and the US DOD is reportedly prioritising effort on 'denial of a [Chinese fait accompli seizure of Taiwan](#) – while simultaneously defending the US homeland'.

The US needs Australia as an ally

The US has some key security concerns where Australia can, and already does, make effective contributions. In [advance written responses](#) to his Senate confirmation hearing in March 2025, Colby stated:

Australia is a core U.S. ally. It has the right strategic approach as reflected in its strategic documents. ... maintaining deterrence in the Indo-Pacific region is not a mission the United States can achieve on our own. Interoperable allies and partners are critical to our forward posture, military capabilities, and combined efforts. AUKUS is a model of the type of cooperation we need to meet the challenges of the 21st century.

Indeed, the US has already invested large sums in [US Force Posture Initiatives](#) in Australia, including to:

- [upgrade Australia's northern bases](#)
- set up regional [maintenance, repair and overhaul hubs](#)
- [increase rotationally based forces](#)
- build resupply stockpiles in Australia.

Australia and the US continue cooperative work on:

- broadening the Australian defence industrial base – particularly for [local production of critical missiles](#)
- [contributing to US submarine production](#) through Australian companies supplying critical parts
- accessing and supplying [critical minerals](#).

US core interests and need for cooperation may assure ongoing engagement in the region, but US–China strategic competition increases the risk that Australia, Japan and other US allies [might be drawn into conflict](#) around Taiwan or the [islands and shoals of the South China Sea](#).

Changes to defence strategy

Strategy of denial emphasising deterrence

Australia has responded to volatility with an updated defence strategy. [NDS24 affirmed a 'strategy of denial'](#) as the cornerstone of defence planning (Figure 4) and promoted 'deterrence' to become Australia's primary strategic defence objective (p. 22). The Australian Defence Force (ADF) is moving from a 'balanced force' to one focused on 'the most consequential risks'. NDS24 does not explain those risks.

Figure 4 The strategy of denial

Strategy of Denial

Designed to deter a potential adversary from taking actions that would be inimical to Australia's interests and regional stability. The Strategy of Denial involves working with the US and key partners to ensure no country attempts to achieve its regional objectives through military action. By signalling a credible ability to hold potential adversary forces at risk, this strategy also seeks to deter attempts to coerce Australia through force. Both objectives involve altering any potential adversary's belief that it could achieve its ambitions with military force at an acceptable cost.

Source: [National Defence Strategy: 2024](#), p. 22.

Deterrence is achieved by convincing a potential aggressor that the [consequences of coercion or armed conflict would outweigh the potential gains](#). Deterrence is only effective if it is credible, so it requires effective lethal military capability and clear political will to act. Hugh Jeffrey argues that, as a 3-ocean nation (Indian, Pacific and Southern oceans) with a unique ratio of population size to territory, [Australia's critical space for deterrence is the undersea domain](#).

Upgrades to ADF capability

[NDS24 identified a critical set of 6 capability effects](#) that the ADF must achieve (pp. 28–29) and 6 immediate priorities for an integrated, focused ADF (p. 38). Some of the initiatives underway to meet the NDS24 requirements include:

- acquisition of [conventionally armed, nuclear-powered submarines](#) through [AUKUS](#)
- new [long-range strike capability](#) for the Navy, Army and Air Force
- expansion and upgrades of [northern military bases](#)
- equipping the Army for [littoral manoeuvre operations](#).

However, it will take 5–10 years to produce sufficient integrated and focused defence capability to provide a substantial overall increase in deterrence.

Closer regional engagement

Australia is also building deterrence through closer engagement with regional security partners. The [US Force Posture Initiatives](#) have been expanded. [Submarine Rotational Force–West](#) is expected to become operational in 2027. Formal agreements, interaction, exercises and defence cooperation are expanding with [Japan](#), [Singapore](#) and [Papua New Guinea](#). There is an identifiable trend beyond interoperability of allied forces towards '[interchangeability](#)', which permits greater integration and streamlined logistics (pp. 6–10).

Development of better and cheaper missile and drone defence is a high priority across Western countries; cooperation on networked air and missile defence architecture is one focus of AUKUS Pillar II and the [Australia–Japan–US Trilateral Defence Consultations](#).

Issue 2: Does Australia have the right defence strategy?

Some analysts contest whether deterrence actually increases Australia's security. For example, Hugh White [views AUKUS as a grave mistake](#). Sam Roggeveen argues that neither US nor Australian security is directly threatened by China and that [an expensive forward defence posture is unnecessary](#).

By contrast, Ross Babbage argues in his 2023 book, *The next major war*, that intense military and national preparations are urgently necessary. Daniel Cook asks whether it is [time to consider nuclear weapons](#).

Elizabeth Buchanan argues that Australia is on [the wrong pathway to the right nuclear submarine capability](#), but Luke Gosling, Labor MP and Special Envoy for Defence, Veterans' Affairs and Northern Australia, recently published a [defence of the strategic logic of AUKUS](#).

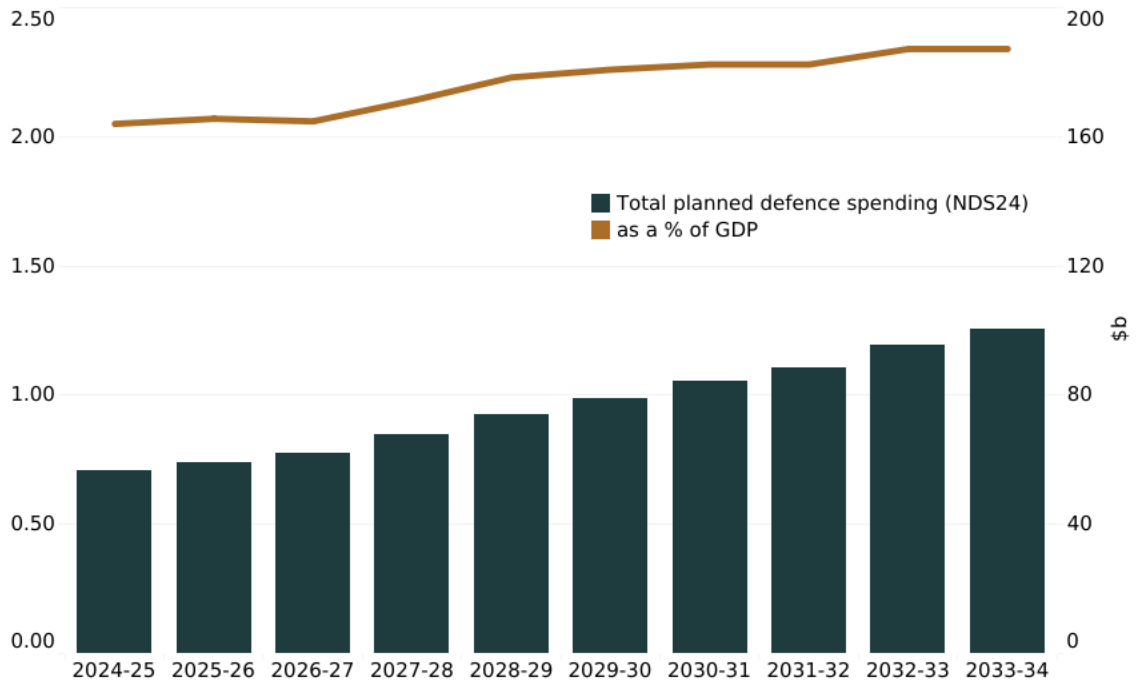
Pressure on the defence budget

The [NDS24 capability upgrades](#) require big increases in the defence budget over the next decade (p. 67), which parliament will be asked to approve.

Military tactics and technology are undergoing rapid advances, which is placing pressure on defence budgets worldwide. Cheap drones ([uncrewed military systems](#)) in particular are imposing high costs on countries that rely on highly capable but [very expensive missile interception systems](#). The defence budget will come under further pressure as [rising international demand](#) for equipment, and particularly ordnance, [drives up costs](#).

Defence spending is currently 2.05% of GDP and projected to reach 2.34% by 2032–33 (Figure 5).

Figure 5 Planned defence spending and percentage of GDP



Source: Parliamentary Library calculations based on [NDS24](#), [2024–25 Defence Portfolio Budget Statement](#) and [ABS Australian System of National Accounts](#), March 2025.

Defence budget expert Marcus Hellyer reviewed Australian defence spending for financial years 1949–50 to 2019–20 and showed that [funding of around 2% of GDP is historically low](#). However, this result is largely due to increases in GDP, not cuts to defence expenditure. Hellyer pointed out that percentage of GDP does not measure changes in real spending and is a crude tool for identifying the resources necessary to address strategic challenges.

Issue 3: How much should Australia spend on defence?

Some critics argue that the costs of sustainment and personnel for new platforms are being [seriously underestimated](#), but that Australia has fiscal room to increase defence spending (pp. 20–24). [Expanding defence industry](#) to increase the onshore manufacture of defence goods and exports could potentially increase tax receipts.

Former Labor defence minister Kim Beazley told the [Indian Ocean Defence & Security Conference in May 2024](#) that no Western country was currently spending nearly enough on defence. At the same conference, former Liberal defence minister Linda Reynolds said the defence budget needed to be at least 3.5% of GDP.

Australia can also expect continuing pressure from the US to spend at least 3% of GDP on defence since the Trump administration is determined to prevent what it regards as [‘free-riding’ on US military protection](#). Elbridge Colby has noted this as an issue the US should press with Australia since ‘Australia is currently well below the 3% level advocated for NATO by NATO Secretary General Rutte, and Canberra faces a far more powerful challenge in China’.

Parliament's role during conflict

There have been many different [structures of wartime government](#) and [emergency legislation](#) in Australian history, including joint meetings of both houses of parliament to [discuss the war in secret](#). The 47th Parliament [rejected a Bill](#) to establish a [Parliamentary Joint Committee on Defence](#) designed to receive classified information.

The 2024 paper [AUKUS and war powers: the constitutional dimensions of grand strategy](#), published by King's College London, calls for closer alignment between the AUKUS partners' constitutional war powers procedures to avoid causing significant diplomatic and strategic consequences through misunderstanding.

If confrontation spills over to conflict, the decision to deploy the ADF into armed conflict is a prerogative of the Executive Government.

The [policy of the Albanese Government](#), which may be an emerging convention, suggests parliament should expect:

- to be informed within 30 days after any government decision to deploy the ADF in a major military operation and be given an opportunity for debate
- the government to table an unclassified written statement outlining the objectives of the deployment, the orders made, and its legal basis.

Concluding remarks

Over the term of the 48th Parliament, members and senators can expect a volatile regional and international environment as Australia's international relationships and national interests come under pressure. As a result, the Parliament may be asked to consider increases to the defence budget, but strategic surprise is also possible. Parliament may need to be prepared for an escalation to conflict with little warning.

Further reading

- Department of Defence, [National Defence Strategy: 2024](#), (Canberra: Department of Defence, 2024).
- Stephen Fallon, [The Defence Strategic Review's Vision for the Australian Army](#), FlagPost, (Canberra: Parliamentary Library, 14 August 2023).
- Karen Elphick, [The Deterrence Advantage of Nuclear-powered Submarines in a Contested Indo-Pacific](#), Research paper series, 2024–25, (Canberra: Parliamentary Library, 4 March 2025).

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