



Ambiguous alignment: Australia navigating US–China rivalry in the post-AUKUS era

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Abstract

As Great Power rivalry in the Asia–Pacific has intensified, Australia has widely come to be seen as a prototypical Balancer. By lending its modest weight in support of its long-time security ally, the US, it seeks to offset the challenges to the regional order posed by China. Developments like the AUKUS partnership struck between Australia, the US and the UK in 2021 are interpreted as confirmation of Australia’s contemporary international alignment. This paper, however, argues that post-AUKUS, Australia has not comprehensively abandoned its hedging strategy. This is reflected in a number of Canberra’s regional assessments and responses that diverge significantly from that of Washington. Similar to Beijing, Canberra believes that the era of US primacy has come to an end and the region is now multipolar. In framing a response, Canberra also broadly shares Beijing’s view that deeper economic integration not only advances domestic and regional prosperity, but also stability and security. Further conditioning Canberra’s response is a recognition that short of extreme scenarios, geopolitical “like-mindedness” counts for little in safeguarding local living standards. For China, Australia’s ongoing ambiguous alignment is a starting point for creative and professional diplomacy to unlock mutually beneficial outcomes. A second Trump administration in Washington is also likely to exacerbate the foreign policy divide between Canberra and Washington.

Keywords Australia · China · Balancing · Hedging · Primacy · Multipolar

1 Introduction

For the sake of convenience, international relations scholars often divide countries in the Asia–Pacific region into three groups. First, there are the Great Powers, the US and China. Then, there are the Balancers and Bandwagons—middle and

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smaller powers that have picked a side in Great Power rivalry and are lending their more modest weight in support of one or the other. Finally, there are the Hedgers, who seek to avoid rigid alliances in the hope of maximizing benefits and enhancing their own agency, building constructive relations with both Great Powers and sometimes playing them against each other.

In recent years, Australia has widely come to be seen as a prototypical Balancer, joining its long-time security ally and the established Great Power, the US, in a bid to offset the challenge to the regional order posed by the rising Great Power, China. In the existing literature that delves into Australia's contemporary international alignment, it is now largely taken as a given that "Australia has pursued a strategy of balancing power against China" (He and Feng 2024), or more specifically, "Australia has moved from hedging between China and the US to balancing against China" (Korolev 2023). This then leads to additional questions such as, "What prompted Australia to make this foreign policy U-turn and join the US's de-facto containment of China...?" (Korolev 2023). Others set out to identify the "soft and hard balancing activities" that Australia has engaged in, seeking to explain why Canberra has become more confident in its ability to "successfully balance against China" (Xue 2023).

This paper, however, contributes to the literature by challenging the base assumption and arguing that Australia has, in fact, not comprehensively abandoned hedging. The concept of hedging in the scholarly literature "remains loose" (Ciorciari and Haacke 2019). Here, it is conceptualized broadly to refer to a lesser power that refuses to neatly conform to one or another Great Power's assessments and preferred policy responses. Australia's historical hedging impulse was encapsulated in the dogged insistence of John Howard, Prime Minister from 1996 to 2007, that Australia "did not have to choose [between the US and China]" (Howard 2011). Howard's mantra was evident in Canberra's decision-making well into the 2010s. In November 2014, for example, China and Australia upgraded the diplomatic status of their bilateral relationship to that of a Comprehensive Strategic Partnership. The same month, then-Prime Minister Tony Abbott invited Chinese President Xi Jinping to address the Australian parliament, an honor rarely extended to foreign leaders. The following year, the two countries signed a Free Trade Agreement. The Abbott government also rejected requests from Washington to stop selling iron ore to China (Hockey 2022) and to abstain from joining the China-led Asia Infrastructure Investment Bank (Perlez 2015). Choices such as these led one former Obama administration official to contend in 2017 that, "Australia is a great ally of the US everywhere in the world, except in Asia" (Curran 2017). Other American observers were left asking, "Who lost Australia?" (Curran 2020).

By then, however, the combination of China reaching near-peer power status with the US, Beijing adopting a more assertive foreign policy stance, and agitation by a local "securitizing coalition" of intelligence officials, politicians and journalists (Chubb 2022), had begun shifting Australia's public discussion of China in a sharply negative direction. In tandem, Canberra's policy priorities tilted from unlocking potential opportunities *with* China to mitigating perceived threats *from* China. While US intelligence briefings were reportedly part of Canberra's tilt (Norrington 2017), the agency of the local "securitizing coalition" was arguably more decisive.

In August 2018, for example, Canberra took proactive measures ahead of Washington to prevent Chinese companies from participating in Australia's 5G telecommunications network (Bryan-Low and Packham 2019). From 2017 to 2022, Australian governments led by Prime Ministers Malcolm Turnbull and Scott Morrison also adopted an abrasive diplomatic approach that saw Canberra go "out in front" of other regional capitals allied with Washington to "call out" and "push back" against Beijing (Suich 2021). In the lead up to a federal election in May 2022, remarks by Penny Wong, then-Opposition Spokesperson for Foreign Affairs, were widely interpreted as confirming a bipartisan domestic political consensus existed around Australia's status as a Balancer. Seemingly departing from Howard's mantra that Australia "did not have to choose", Wong said that because "economic power is being utilized for strategic purposes", and in view of Australia's security alliance with the US, "we have actually already chosen" (Dobell 2022).

Perhaps, the data point most frequently cited to support an assessment that Australia has moved decisively into the balancing camp is the AUKUS partnership struck with the US and the UK in 2021. Once again demonstrating the agency of the local "securitizing coalition", AUKUS was instigated by Canberra, not Washington or London, albeit the proposal was reported to have been "greeted rapturously" in the US capital (Hartcher 2021a). Immediately following its announcement, a senior Biden administration official briefed to American media outlets, stating that AUKUS was "the biggest strategic step that Australia has taken in generations" (The White House 2021). The following year, Kurt Campbell, the Biden administration's National Security Council Coordinator for the Indo-Pacific, heralded the deal as "getting Australia off the fence. We have them locked in now for the next 40 years" (Turnbull 2022; Curran 2022). Australia has also tightened its defence relationship with the US by hosting more American military assets and personnel. In August 2024, Michael McCaul, chairman of the US House of Representatives Foreign Affairs Committee, said that these deployments concentrated in Australia's Northern Territory constituted "the central base of operations in the Indo-Pacific to counter the [China] threat" (Packham 2024). In January this year, McCaul described "Australia as the beachhead to counter China...and that's why AUKUS is so important" (Koziol 2025). Many observers in China appear equally confident that AUKUS, as well as other defense-related initiatives such as joint navy patrols with Japan and the Philippines in South China Sea, confirm Australia's contemporary international alignment. According to China's Ministry of Foreign Affairs, AUKUS is an "Anglo-Saxon clique" that "smacks of obsolete Cold War zero-sum mentality" (Ministry of Foreign Affairs 2021). Consistent with a Cold War framing, prominent Chinese scholars have also described its purpose as being to "contain China" (Shi 2022; Ni and Zhu 2022; Gao and Yi 2025).

It is certainly possible to cherry-pick data to paint Australia as an unqualified Balancer. Yet, an assessment that engages with the full spectrum of facts and evidence suggests that Canberra's positioning is actually more ambiguous. Flagging this ambiguity, in March 2024, Penny Wong, now Australia's Foreign Minister, recalled her comment 2 years earlier that "we have already chosen" to clarify that this was "not the end of the matter" (Wong 2024a). It is also instructive that the current Australian government, led by Prime Minister Anthony Albanese, has been on

the receiving end of a ramped-up campaign of political attacks by domestic China hawks because it has refrained from adopting a binary framing that clearly aligns with a “regionally dominant US” (Pezzullo 2024).

2 Strategic assessments: Australia’s position on the regional order

The first Trump administration was explicit in its goal of maintaining US “strategic primacy”, or alternatively phrased, “diplomatic, economic and military preeminence” (Trump White House 2021). The Biden administration was only slightly less overt. Jake Sullivan, President Biden’s National Security Adviser insisted that US “leadership” in the wide-ranging fields of “computing-related technologies, biotech, and clean tech” was a “national security imperative” (Sullivan 2022). The Biden administration also went even further than the first Trump administration in implementing policies aimed at containing China’s rise, notably using export controls to stunt its technological progress. This led prominent Australian strategic thinkers like Peter Varghese, a former Secretary of the Department of Foreign Affairs and Trade, to declare that “Maintaining global US primacy and denying regional primacy to China remains the bedrock of US strategic thinking” (Varghese 2023). As Varghese notes, US policy choices are revealing because containment is the “logical end point of a policy which sets the preservation of primacy as the core objective”.

Whether the second Trump administration still regards maintaining US primacy as paramount is not yet clear. In January, Secretary of State Marco Rubio made headlines by remarking that, “it’s not normal for the world to simply have a unipolar power”, and that following the Cold War, “eventually you were going to reach back to a point where you had a multipolar world... We face that now with China...” (Rubio 2025). At the same time, however, the administration has not rolled back any Biden-era China containment policies; in fact, it has even increased tariffs on Chinese goods.

In contrast, Foreign Minister Wong clearly stated Australia’s position in April 2023: the age of US primacy in the Asia–Pacific was already over. While the US remained an “indispensable” Australian partner, Wong pointedly observed, “the nature of that indispensability has changed”. Nowadays, the US “is central to balancing a multipolar region” (Wong 2023a). Similarly, a Defence Strategic Review commissioned by the Australian government in 2023 stated matter-of-factly that, “Our alliance partner, the United States, is no longer the unipolar leader” of the region (Australian Government—Defence 2023). In delivering these assessments of multipolarity, Canberra describes the regional power distribution in terms comparable to Beijing.

This is not to suggest that Canberra’s response to multipolarity is aligned with Beijing’s preferences. For example, while consigning US primacy to history, Minister Wong has emphasized that if Australia’s interests in a region “operating by rules, standards and laws” are to be realized, this will necessitate the formation of a new “strategic equilibrium” and a “regional balance of power”, one that “must be underwritten by military capability” (Wong 2023a). It is in this context that the Albanese government positions AUKUS and regards an ongoing

US involvement in the Asia–Pacific to be “indispensable”. Canberra has also set out to challenge China’s growing influence in specific contexts. This includes the nearby Pacific Islands where Minister Wong has described Australia as being in a “state of permanent contest” (Wong 2024b).

Nonetheless, an assessment of multipolarity places bounds on responses that Canberra regards as realistic and reasonable. By way of illustration, Australia’s political leaders have shown little interest in joining Washington’s attempts to slow China’s growth or in signing up to the strict framing of China as a “strategic competitor”. Even after political tensions between Canberra and Beijing had been escalating for several years, in August 2019 then-Prime Minister Morrison remarked, “Why would we want to contain China’s growth?... I thought that was the point of engaging with China, that they would get to a level of maturity in the economy...” (Doran 2019). The following month, standing next to President Trump at a joint press conference in Washington during which Trump had described China as a “threat to the world” and invited Australia’s leader to express his “very strong opinions on China”, Morrison responded, “We have a Comprehensive Strategic Partnership with China...we work well with China... we have a great relationship with China. China’s growth has been great for Australia” (Morrison 2019). A year later while visiting Japan, and even as the political rupture between Canberra and Beijing was spilling over to disrupt Australian exports, Morrison continued to put distance between Australia’s position and that of the US: “Both Japan and Australia agree and always have, that the economic success of China is a good thing for Australia and Japan. Now not all countries have that view, and some countries are in strategic competition with China. Australia is not one of those...” (Morrison 2020).

This rhetoric is not merely convenient declaratory policy aimed at assuaging Beijing, while operational policy heads in a different direction. At the end of 2020, one Australian parliamentarian and a member of the ruling Coalition called on the government to place an export tax on iron ore sales to China in retaliation for Beijing’s disruption of other Australian exports; however, this was immediately rejected by the relevant Minister (McCulloch 2020). Following a US (and Canadian) decision last year to place a 100% tariff on Chinese electric vehicles (EVs), the Australian government announced that it had no intention of following Washington’s lead (Packham and Ison 2024). Prime Minister Albanese has also stated his government had “no plans” to follow Washington in banning or forcing the sale of Chinese-owned software applications like TikTok (Creighton and McCaffrey 2024). The extent of restrictions imposed by Canberra has been limited to banning TikTok from being installed on government-issued devices, leaving access to the much larger private market intact. The Albanese government has further resisted calls, including from former Prime Minister Morrison, to join Washington, London and other prominent Western capitals in sanctioning Chinese officials for alleged human rights abuses (Tillett 2023). While Washington doubles down on referring to China as a “strategic competitor”, November 2024 marked the 10th anniversary of the China–Australia Comprehensive Strategic Partnership and there remains a bipartisan domestic political consensus around its utility (Birmingham 2024).

3 Strategic responses: Australia's position on the economic–security nexus

In responding to China's rise, Washington sees cutting exposure to the Chinese economy as essential to mitigating security risks. To facilitate this decoupling, Washington has implemented policies such as tariffs and export controls. Rather than supporting these actions, Canberra has distanced itself from the position of the US. When the first Trump administration launched a trade war against China in February 2018, Australia's then-Trade Minister Simon Birmingham put on the record that, "we [Australia] do not approve or support the US actions of increasing tariffs in a unilateral way on Chinese goods" (Birmingham 2018). In October 2022, Trade Minister Don Farrell described an unprecedented package of export controls imposed on China by the Biden administration as "draconian" (Brooks 2022).

Fundamentally, Australia's own response has taken a markedly different direction. In December 2022, Foreign Minister Wong told a Washington audience that Australia's national interest, "lies in being at every table where economic integration in Asia is being discussed" (Wong 2022). This commitment includes engagement with China. In March 2024, Trade Minister Farrell mooted the potential for two-way trade with China to grow from its current level of \$A300 billion to more than \$400 billion (van Leeuwen 2024). The desirability of increased trade with China is bipartisan. In June 2024, the Leader of the Opposition, Peter Dutton, stated that he would "love to see the trading relationship [with China] increase two-fold" (Dutton 2024). In January 2023, Foreign Minister Wong spoke to a London audience, emphasizing that for Australia, promoting regional economic integration was not just about domestic and regional prosperity. It was also "an investment in our own security". This is because, "Stability and prosperity are mutually reinforcing" (Wong 2023b). In a particularly ebullient expression of the same sentiment, Trade Minister Farrell contended in March 2023 that, "Nothing's going to do more to achieve peace in our region than strong trading relationships between Australia and China" (Farrell 2023). Canberra is not so naïve as to imagine that economic integration rules out the possibility of security clashes. Rather, the point is, according to Foreign Minister Wong, that it "provides a critical incentive for peace" (Wong 2024c).

Again, this is not merely just convenient rhetoric. Unlike the US but like China, Australia is an enthusiastic member of the Regional Comprehensive Economic Partnership (RCEP). China and Australia are also keen supporters of the World Trade Organization (WTO). In April 2020, Australia and China, along with 18 other WTO members, set up a makeshift disputes resolution arrangement after the US had driven the standing Appellate Body into dysfunction by blocking the appointment of new judges as the terms of existing ones expired (Tillett 2020). In three of their recent bilateral trade disputes, China and Australia agreed to defer to the independent adjudicator's decision. Upon losing a case brought by China in March 2024, Trade Minister Farrell stated that the Australian government "accepts the ruling of the WTO panel" and is committed to "engage with

China...to implement the panel's findings" (Farrell 2024). Meanwhile, the US response to losing WTO cases has been to reject the ruling and state it has no intention of complying (USTR 2022). In July 2024, Australia led the drafting of new WTO rules around e-commerce to a successful conclusion. China signed on, but the US refused to commit (WTO 2024a). In October 2024, China, Australia and 128 other WTO members tabled a proposal to fill vacancies on the WTO's Appellate Body. The US rejected the proposal for the 81st time (WTO 2024b).

To be sure, there are some limits to Canberra's embrace of economic integration with China. While not ruling out the possibility, Australia has yet to issue a robust statement of support for China's accession to the Comprehensive and Progressive Trans-Pacific Partnership. Canberra also shares many of Washington's concerns around the international spillovers from Beijing's use of domestic industrial policy, as well as its proclivity for disrupting trade to signal geopolitical displeasure and induce policy changes in overseas capitals (Tillett 2024). In 2021, Australia's then-Treasurer, Josh Frydenberg, highlighted the return of "strategic competition" among the Great Powers, which was "increasingly playing out in the economic arena". He noted that Beijing's trade restrictions on Australian exporters in 2020 demonstrated that "Australia is on the front line" (Frydenberg 2021). Jim Chalmers, Australia's current Treasurer, has further flagged concerns about the resilience of clean energy supply chains owing to a concentration of activity in China (Chalmers 2022) and this has led to restrictions on Chinese participation in sectors like critical minerals (Laurenceson 2024). Ownership of critical infrastructure assets has also been off-limits to Chinese investors since 2016. Nonetheless, a significant volume of Chinese investment continues to be approved and the strategies most commonly being adopted to manage resilience risks, like market and supplier "diversification", do not suggest decreasing trade with China. What "diversification" means in Australia is simultaneously expanding engagement with China, as well as with other regional sub-regions like ASEAN and countries such as India.

4 Strategic responses: Australia's realization on the utility of geopolitical alignment

Another driver of Canberra's imperfect alignment with Washington is that developments since 2020 have demonstrated that, short of extreme scenarios like military conflict, geopolitical "like-mindedness" counts for little in safeguarding local living standards.

After Beijing began disrupting Australian exports in 2020, Washington was quick to offer Canberra rhetorical support. In March 2021, National Security Council Coordinator Campbell delivered a message to Australians that President Biden had told Beijing that "we are not going to leave Australia alone on the field". He added that Washington was "not prepared to improve relations [with Beijing] in a bilateral and separate context at the same time that a close and dear ally is being subjected to a form of economic coercion" (Hartcher 2021b). The immediate response of Dan Tehan, then-Australia's Trade Minister, was to contend that "all Australians should be reassured by the fact that the Americans have come out and said that they've

got our back” (Haydar 2021). American reassurances continued to flow in. Mike Goldman, the acting US ambassador to Australia, followed up Campbell’s remarks by insisting that the US would “absolutely have Australia’s back”. He encouraged Canberra to “just keep on doing what you’re doing but with confidence that the United States and other like-minded democracies see an interest in having Australia succeed” (Wray 2021). Secretary of State, Antony Blinken, even added a cricketing twist to his promise, saying that the US would “not leave Australia alone on the pitch” (Psaledakis and Lewis 2021). Prime Minister Morrison took heart: “we really appreciate the great support we have had from liberal democracies around the world, none less so than the United States” (Dziedzic 2021).

There was also a flurry of think-tank reports in Australia advocating that security-oriented partnerships like the ANZUS treaty (Lim et al. 2021), the Quad (Lee 2020) and the Five Eyes intelligence-sharing arrangement (Hanson et al. 2020) should be repurposed to take on an economic dimension aimed at deterring Beijing from engaging in economic coercion, and if necessary, to mete out retaliation.

Limits to the practical support being delivered by geopolitically “like-minded” partners, however, quickly became apparent. Australian interests were peripheral when the first Trump administration struck a “Phase One” bilateral trade deal with Beijing in January 2020 that privileged the commercial interests of US companies. In the lead up to the deal’s signing, the US ambassador in Australia, Arthur Culvahouse, had been asked whether it could benefit American companies at the expense of their Australian counterparts. His response was far from reassuring: “I am hopeful that the concerns and the interests of the Australians are being taken into consideration. But ultimately it’s a...decision by my people in Washington, so let’s keep our fingers crossed” (Riordan 2019). Then-Trade Minister Birmingham was left to observe that Canberra was looking “carefully and closely” at US–China trade flows for evidence of trade diversion (Tan and Magnier 2020). A report by University of Adelaide researchers in February 2021 concluded that the deal had possible negative implications for two-thirds of China’s goods imports from Australia other than iron ore (Adams et al. 2021).

Subsequent trade data also showed that geopolitical alignment had no relevance for determining which countries’ companies would take commercial advantage of Australian exporters’ predicament in losing access to the Chinese market. US companies snapped up the largest proportion of lost Australian export value, with Canada and New Zealand ranking among the top five. Nor did Canberra’s geopolitically “like-minded” partners increase their own purchases. In aggregate, US purchases of the Australian goods disrupted by Beijing fell. Such outcomes do not imply that Washington (or Ottawa or Wellington) were morally duplicitous in expressing sympathy for Australia’s predicament. They simply reflected an economic reality that in the world of international commerce Australia’s closest geopolitical friends are oftentimes its fiercest competitors. Moreover, businesses and consumers principally make purchases based on price and quality, rather than the geopolitical leanings of their governments (Laurenceson and Armstrong 2023).

What did protect Australia’s economy in the face of Beijing’s trade disruption was China’s broader self-interest, as well as access to open and competitive global markets, overseen by the WTO. Goods for which China relies on Australia as a supplier,

including big-ticket items like iron ore, LNG, lithium and wool, were left untouched. When Beijing instructed Chinese steelmakers and power generators to stop purchasing Australian coal in October 2020 (Smith and Tillet 2020), these importers had to source supply from elsewhere. Global markets then re-directed the Australian product, quickly and at low cost, to those buyers that China's new suppliers previously serviced, including Japan, India, Brazil and Türkiye. Trade data show that, in aggregate, the fall in value of Australian sales of the disrupted goods to China was offset by an increase in value of the same magnitude to the rest of the world (Laurenceson and Armstrong 2023).

The Biden administration's rhetoric around the "friend-shoring" of supply chains also attracted some initial excitement from Canberra as well as local companies. In March 2023, US ambassador, Caroline Kennedy, contended that Australia had "a unique ability and opportunity to take advantage of the benefits of the Inflation Reduction Act that almost no other country has" (Greber and Ker 2023). The IRA offers a tax credit when a battery in a qualified EV contains critical minerals above a specified threshold. These minerals must be extracted and processed in the U.S. or in a country with which the U.S. has a free trade agreement, like Australia (Federal Register 2024). Amendments to the U.S. Defense Production Act in 2023 also added Australia as a "domestic source" (United States Congress 2023). Australia's Resources Minister, Madeleine King, enthused that the economic significance of this development for Australia "cannot be overstated" (Greber et al. 2023) because of the funding opportunities it might unlock for local companies (Cranston 2023).

Yet these "friend-shoring" initiatives came with heavy qualifications. The fine print in the amendment to the U.S. Defense Production Act, for example, specifies that an Australian company may only be treated as a "domestic source" if US demand "cannot be fully addressed" by companies located in North America (United States Congress 2023). Meanwhile, output from major Australia-based critical minerals operations, like the Greenbushes lithium mine in Western Australia—the world's largest—is not eligible for IRA subsidies due to its 26% Chinese equity stake. The fact that Australian and American interests own 74% does not sway Washington's determination (Thompson and Fowler 2024). The IRA also contains two tax credits of equal value, with the second requiring that the final battery assembly takes place in North America to qualify. The bigger picture of the IRA has been to drive a diversion of capital toward clean energy supply chains, as well as "people and expertise to the US and know-how which is migrating to the US and not coming to places—places such as here [Australia]" (Poljak and Tran 2023). Australian business leaders invested in the clean energy transition explain that "you now have to allocate capital where it's most competitive, and that means we have to allocate capital away from Australia into North America" (Hewett 2023). Independent experts in the clean energy transition assess that the IRA's "protectionist character is bad news for Australia" (Garnaut 2023).

With a domestic market population of just 25 million and a generally high-cost business environment, the economic reality means that Australia's contribution to resilient critical minerals supply chains will inevitably be concentrated upstream where it holds a comparative advantage. This concentration will occur at the mine site or one step downstream in minerals processing. For supply chains to be resilient

in their entirety, and for Australia to have access to a diversified customer base, geopolitically “like-minded” countries must step up to build out demand further downstream; however, to date, such efforts have been lackluster.

By way of illustration, Australia’s most valuable critical mineral export in 2023 was lithium spodumene, valued at \$US13.3 billion, with nearly all of it being exported to China. This did not reflect naïve assessments by Australian companies around geopolitical risk. Rather, while China’s total purchases of lithium spodumene in 2023 stood at \$US15.8 billion, Australia’s geopolitically aligned partners collectively imported just \$US1.1 billion. Compared with 2018, China’s imports rose by \$US14.3 billion, while that of geopolitically aligned partners edged upwards by just \$US216 million (ITC 2024). The main reason for this is that China is leading the net-zero transition globally and has established itself as the hub of clean energy manufactured goods, including solar panels, wind turbines, batteries and electric vehicles (EV’s) (IEA 2023). Furthermore, while Australia and China enjoy clear production complementarities, Australia and its “like-minded” partners are oftentimes closer to being competitors. US production of rare earths, for example, is already 2.5 times that of Australia, and owing to a lack of domestic demand nearly all of it is exported (USGS 2024). In other words, American supply competes with Australian supply in international markets. Rather than depending on Australia to meet its future upstream lithium needs, in March 2024 the U.S. Department of Energy announced a \$US2.3 billion loan to develop lithium reserves in Nevada. This initiative intends to “secure reliable, sustainable *domestic* supply chains for critical minerals [emphasis added]” (Xie 2024). That is, US industrial policy is being deployed to promote “on-shoring”, not “friend-shoring”.

5 Conclusion

This paper has shown that while Australia has widely come to be seen as a Balancer, its international alignment post-AUKUS remains more ambiguous. A hedging impulse continues to be readily observable.

For China, recognition of Australia’s ongoing ambiguous alignment provides a starting point for creative and professional diplomacy to unlock mutually beneficial outcomes. This is despite clear and ongoing geopolitical differences that are manifest in incidents such as encounters between the two countries’ militaries that the Australian government has described as “unsafe and unprofessional” (Australian Government—Defence 2024). Constructive China–Australia relations can also serve as a powerful counterpoint to the inevitability of a “new Cold War” despite these differences. China’s ambassador in Australia, Xiao Qian, has been a consistent advocate for moving beyond the “stabilization” in bilateral relations and further into “development” (Basford Canales 2024).

A second Trump administration in the US might also provide added impetus for ongoing or even stepped-up China–Australia cooperation. Foreign Minister Wong and Treasurer Chalmers have emphasized that in an environment of greater geopolitical contestation, economic and foreign policy are “almost indistinguishable” (Chalmers 2024). If, as seems likely, a second Trump administration further

solidifies the portrayal of China as a “strategic competitor” and enacts policies aimed at containing its rise—such as expanding export controls and ramping up the unilateral application of tariffs on Chinese imports—this would likely not sit comfortably with Canberra. After all, Australia would suffer the negative knock-on effects from any slowing of China’s economy (Kehoe 2024) and the multilateral trading system that is essential to protecting Australia’s interests would be even more deeply undermined. If a second Trump administration escalated further and sought to coerce Australia into supporting China’s containment, there is little reason to think that Canberra would acquiesce. It is instructive that even during the period 2017–2022 when China–Australia political relations sunk to their “lowest ebb” (Raby 2019) and political tensions were spilling over to disrupt trade, Canberra maintained a position that was distinct from Washington around the desirability of China’s growing prosperity and regional economic integration. Were Washington to take such a course of action, the more probable outcome would be to promote an even greater hedging impulse in Australia. In contrast, Beijing has now removed all the restrictions on Australian goods it imposed in 2020, and the surest consequence of reinstating disruptive trade measures would be to promote a greater balancing impulse.

For Canberra, “strategic hedging” represents a compelling alternative to strict balancing (Chan 2020). This does not imply abandoning a security alliance with Washington or efforts to keep the US intimately engaged in the region. Rather, it involves eschewing the more extreme aspects of Washington’s strategic inclinations at the same time as deepening enmeshment with other regional powers to insure against future risks. Given the predominant mood of the Asia–Pacific, where there is a strong reluctance to choose between the Great Powers, Canberra’s pursuit of this path would likely resonate with many capitals throughout the region.

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