

Australian security in an era of uncertainty

Views from the Defence Strategy Program in
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ASPI

Level 2

40 Macquarie Street

Barton ACT 2600

Australia

Tel Canberra + 61 2 6270 5100

Email enquiries@aspi.org.au

www.aspi.org.au

www.aspistrategist.org.au



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Foreword

Courtney Stewart
Deputy Director, Defence Strategy Program
Australian Strategic Policy Institute

Australia has entered a period of growing strategic uncertainty. Intensifying strategic competition, rapid military modernisation, technological disruption and instability in the international system are reshaping the security environment in which Australia must operate. Long-held assumptions about regional security, economic resilience and the international order are increasingly being tested. This volume brings together a selection of articles published by ASPI's Defence Strategy Program in *The Strategist* over the past 12 months. These works capture a conversation conducted in real time as events unfolded. Written by 18 authors, they examine the strategic, operational, technological and economic challenges facing Australia at a consequential moment in its history.

The articles were produced as Australia sought to implement its National Defence Strategy, as debate continued over the future of the Australia–United States alliance and AUKUS, and as strategic competition in the Indo-Pacific intensified. The authors do not always agree, nor should they. The value of a collection such as this lies precisely in the diversity of perspectives it brings to complex problems that rarely lend themselves to simple answers.

The structure of the volume reflects the breadth of the challenges confronting Australia.

Part One examines strategy and deterrence, including the evolution of Australia's defence strategy, its growing alignment with the strategic approaches of key allies and partners, and how greater convergence in strategic thinking can create new opportunities for collective deterrence and regional security.

Part Two explores regional security concerns, including the changing balance of power in the Indo-Pacific, the challenges posed by strategic competition and coercion, and how Australia's regional and international partnerships can contribute to stability, resilience and deterrence.

Part Three focuses on Taiwan, including its importance to regional stability, the warning signs and scenarios that could lead to conflict, and the challenges of managing deterrence, escalation and strategic risk.

Part Four considers defence capability, including the force structure, technologies and partnerships needed to deliver Australia's defence objectives, as well as how innovation, autonomous systems and asymmetric capabilities can help generate military advantage in an increasingly contested environment.

Finally, Part Five addresses defence spending, acquisition and industrial capacity, examining the resources, reforms and sustained investment required to translate strategy into capability and preparedness.

A common theme runs throughout these essays. Australia's security will continue to depend on strong alliances and partnerships, but it will also increasingly depend on our ability to generate greater national resilience, preparedness and self-reliance. These are not competing objectives. They are complementary elements of a successful strategy for navigating a more contested world. The analysis of these articles demonstrates the complexity of the tasks ahead – tasks that will require difficult decisions, long-term investment and an informed public conversation about Australia's security and future.

I commend these essays to you as a record of an important period and as a contribution to ongoing conversations and considerations of the choices upon us. My thanks go to the authors for their intellectual rigour, and to *The Strategist's* editorial team for providing a forum for informed debate on the issues that matter most to Australia's future.

Part One: Strategy and deterrence

The Australia-US Alliance: the art of dealing with a great power

Mike Hughes and Justin Bassi



Image: Christopher Dickson/Department of Defence.

Today's National Defence Strategy, announced by Deputy Prime Minister and Defence Minister Richard Marles, correctly reasserts that Australia's security interests lie in becoming more self-reliant, which requires an enhancement of our own national capabilities in combination with the US alliance.

It draws an important distinction between self-reliance – a strategic necessity – and self-sufficiency – an unaffordable illusion. Self-reliance is indeed a core theme of the National Defence Strategy. The alliance is a key aspect of this, with the strategy saying, 'Australia's Alliance with the United States remains fundamental to our national security and the [Australian Defence Force's] capacity to generate, sustain and project credible military capability.'

The National Defence Strategy thereby implicitly rebuts the growing chorus arguing that a less benign United States demands a fundamentally independent Australian foreign and defence policy. That argument misunderstands the nature of the strategic environment and the enduring logic of the alliance. Here we look at those factors, explaining why the National Defence Strategy's self-reliance approach is right.

We need to talk about Washington

Just over a year into the second administration of President Donald Trump, the US is no longer the benign hegemon to which we've been accustomed. It now prefers the more transactional and coercive approaches to international relations traditionally associated with great powers. Recent US military operations, while tactically impressive – unsurpassed in precision, reach and execution – have starkly contrasted with the administration's strategic incoherence. By depleting its munitions stocks, weakening its global standing and eroding its deterrence credibility, Washington is at risk of handing a strategic victory to Tehran, Beijing and Moscow.

Iran's willingness to absorb punishment while the US appears focused on a quick exit reinforces a dangerous perception among authoritarian regimes: that democracies lack endurance. This perception is not new: it echoes the flawed assumptions that informed German and Japanese thinking in the 1930s, with disastrous consequences.

At the same time, US military operations are providing invaluable learning opportunities for adversaries. As it did after the 1991 Iraq War, China will closely study the Iran conflict for lessons for its own military modernisation. The current war is thereby contributing to a narrowing qualitative gap between Sino-US military capabilities.

The Trump Administration's approach to its long-term allies and partners reveals underappreciation of a key part of US power in the post-1945 world. Chastising and threats to sovereignty of long-standing and loyal US allies have strengthened the hands of those who have long sought to do our liberal democracy and the global order harm. Last week, while Washington continued its threats of withdrawal from NATO, Vice President JD Vance shuttled into Budapest to give electoral support to [Putin's stooge in Hungary](#) and, in doing so, undermined NATO and EU support for Ukraine. Altogether, these actions present the US as a weaker ally.

Logic, not emotion, sets strategy

As challenging as the Trump Administration has been, no alliance is defined by the moment. After 75 years, Australia's alliance with the US has significant value for Canberra, giving access to unique intelligence, technology, industry and capability. These are vital inputs in our pursuit of self-reliance, giving life to our desire for greater autonomy while making us a more valuable partner to those middle powers with which we increasingly seek to align ourselves.

And recent international examples reinforce the idea that democratic systems, while imperfect, nevertheless provide mechanisms to constrain authoritarian drift and provide a course correction to harmful policies. This was clearly demonstrated in the Hungarian election on 12 April, in which Viktor Orban's long reign came to an end, despite – or perhaps in part because of – support from his authoritarian friends.

The US is no different. In fact, it's still better than most, given the independence of the judiciary and recent Supreme Court rulings checking presidential power. This means US democracy retains important sources of resilience. Across the country, courts, state-level institutions, and electoral processes continue to act as checks on executive overreach. Current predictions for the November mid-term elections are that the Democrats will gain a House of Representatives majority, continuing a historical trend of voters balancing executive power.

If the administration bucks that trend and amplifies foreign policies harmful to Australia's (and other liberal democratic) interests, then

the US's allies will need to focus less on a short-term strategy of surviving Trump's America and more on long-term management of a most intimate security ally that doesn't share all of our dearest principles.

But our strategy in a more uncertain and dangerous world requires us, as Australian Foreign Affairs Minister Penny Wong often says, to see the world as it is, rather than as we want it to be. Our policy challenge is not whether to work with the US but how. A vital component of the democratic relationship is an ability to criticise US actions antithetical to our principles without upending the alliance. It is a false equivalency to compare the US with China and Russia, which are irretrievably authoritarian and hostile to free and open societies and liberal democracy.

European countries, having borne the brunt of Trump's abuses, provide a useful example. NATO allies have been up front about how the US makes the collective stronger while simultaneously looking to enhance their self-reliance. Poland is emblematic, publicly disagreeing with US policy on issues such as tariffs, Iran or Greenland while maintaining the US as a key pillar of its security and also spending more on its own defence. Importantly, this formula answers US demands to reduce allied dependence while improving allied states' value within a broader Western allied framework.

For allies in the Indo-Pacific such as Australia, this strategic logic is even more compelling. China remains the pacing threat, the only country with a recent history of seeking to *subvert* our political system and way of life. US absence would lead to a much worse regional order for us, since no other nation or group of nations would be inclined or able to balance China's push for power. Japan understands this. Prime Minister Sanae Takaichi has *enthusiastically* embraced the alliance while significantly increasing Japan's defence spending.

National interest requires Australia to hold two truths concurrently: that it must sustain the US alliance and American-led partnerships such as AUKUS as the central pillar of regional deterrence; and that it must strengthen its own capabilities and deepen partnerships with other democracies, such as Japan, South Korea, India and the European Union.

Much progress has been made in broadening relationships, as shown by the government's increase in engagement with the EU (including the signing of a defence and security agreement), strengthening of ties with Canada in areas such as critical minerals, and the advance of the Japan relationship to the level of an all-but-formal alliance.

But there is still much to do. To be truly successful, the Australian system and political class will need to not only hold their noses in some situations but be more vocal to ensure our public understands why the US alliance and distant partners in Europe are in our national interest.

This self-reliance approach is pragmatic recognition that a strategy that shifts away from the US (and Europe) and prioritises only our immediate region will not keep us safe or deter adversaries.

Southeast Asian countries can't defend themselves from great powers militarily, let alone defend others. Manila's experience with China's territorial predations has been revelatory about the value of the oft-cited centrality of the Association of Southeast Asian Nations in the face of great power threats: ASEAN has done little to help the Philippines.

We do need to keep building relationships with regional neighbours, particularly in Southeast Asia, a fulcrum of geostrategic competition and China's gateway to broader regional dominance, but also with democratic heavyweights further afield.

The National Defence Strategy accurately assesses the strategic environment and need for a self-reliance strategy involving a two-track approach of strengthening the US alliance and national capabilities. There is no need to idolise America. But thinking we can have national security without the US would be putting faith in a false idol.

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What Trump's National Security Strategy means for Australia

Courtney Stewart



Image: Daniel Torok/The White House via Flickr.

Before its release on 4 December, the Trump administration's *National Security Strategy* (NSS) had been expected to emphasise increased defence burden-sharing among allies and partners; a refresh of US priorities, placing 'America First'; a more active US role in the Indo-Pacific; and deeper multi-domain interoperability. The strategy, which sets the United States' security agenda until January 2029, delivers on those expectations, most notably by reconnecting ends and means in pursuit of core national interests.

At its core, this NSS resets US ambition. It rejects what it describes as 'forever global burdens' and a model of globalism that saw no connection to the national interest, hallowed out the US middle class, allowed allies and partners to underinvest in their defence, and drew the US into antithetical conflicts. President Donald Trump is driving a corrective foreign policy course that

prioritises economic strength, industrial resilience and military power, explicitly tying these focuses to core national interests, principles and priorities across regions.

The strategy asks three foundational questions: What should the US want? What means does it possess to get what it wants? And how should ends connect to means to deliver a viable strategy? The answers include creating the ‘world’s strongest, most dynamic, most innovative, and most advanced economy’; building a resilient national infrastructure; and ‘fielding the world’s most powerful, lethal and technologically advanced military’. Two critical aims dominate the strategy: sustained strategic competition with China and Russia, and focused investment on domestic industrial policy.

For Australia, the content of the NSS matters less than what it demands. The document is not simply descriptive; it is highly prescriptive. It signals clearly where the US will focus its power and where it expects others to carry more weight.

In the section titled ‘What Do We Want In and From the World?’, the western hemisphere is defined as the US’s first vital interest. From there, the strategy turns outward, focusing on halting foreign-actor damage to the US economy while keeping the Indo-Pacific free and open; preserving freedom of navigation in all crucial sea lanes; and securing supply chains and ensuring access to critical minerals. The message is unambiguous: the Indo-Pacific remains central to US strategy, but Trump now expects the US military presence in the region to be justified not just on defence needs, but on direct economic interests as well. The US now judges the value of its engagement through supply chains, critical minerals, trade routes, industrial security and economic resilience—it’s not about only military competition.

This reinforces what we already see operationally. The US military will remain deeply engaged in our region, and the [forthcoming](#) US Force Posture Review may redirect resources from other theatres towards Australia and the region. The NSS’s priorities mean that not only can we expect the US military to stay in our region; we can also expect a persistent increase in air and maritime activity for presence, surveillance and deterrence signalling.

Australia and the US publicly called out the increasing number of unsafe Chinese intercepts in 2024 and 2025. The next Australia–US Ministerial Consultations, [scheduled](#) for this week, will likely produce stronger language and announcements on sustained joint presence; promote growth in the defence infrastructure footprint across the country beyond AUKUS; and potentially expand rotational forces from Japan, alongside additional US assets. These efforts would promote stability and security of vital international waterways, including the East and South China seas.

But the central shift in the NSS is not where US forces go, but how the burden of regional security is to be shared.

The strategy clearly states: ‘Our allies must step up and spend—and more importantly do—much more for collective defense.’ The Department of State is directed to press First Island Chain allies and partners to grant greater access to ports and facilities, lift defence spending and prioritise capabilities aimed at deterring aggression.

Australia, while technically part of the wider Second Island Chain, is a first-tier ally and should treat this language as though it is also directed at Canberra. Australia is an important component of the US National Defense Strategy—due for imminent release—because of its geography and military capabilities, which are crucial for force projection, forward positional advantage and multilateral deterrence. Multilateral deterrence is crucial for Australia. A significant majority of Australia’s maritime exports transit through or near the South China Sea, yet Australia has resisted sustained US pressure to shift defence spending toward 3.5 percent of GDP. The NSS makes clear that Washington views this position as increasingly untenable.

This is not simply about spending more; it’s about aligning economic, industrial and military power into a coherent deterrence architecture. The NSS identifies economics as the ‘ultimate stakes’ and calls on allies to harness combined economic power, some US\$65 trillion, to prevent strategic domination by any single competitor. The strategy explicitly points to trade realignment, supply chain re-shoring and coordinated export controls as instruments of deterrence. The US has elevated economic alignment as a critical component of the ANZUS alliance and of collective defence and deterrence.

Australia sits between a rock and a hard place of its own making. In 2024, [63 percent](#) of Australia’s export shipping was destined for China, matching a record set in 2019–20. This leaves Australia exposed not only to trade disruption but to economic coercion. It creates the risk of being deterred, but also of self-deterrence through restraint driven by economic vulnerability. The China–Australia trade dispute from 2020 to 2023 was a case in point: when Australia called for an independent investigation into the origins of Covid-19, China imposed wide-ranging [trade restrictions](#) on Australian exports—including barley, wine, beef, lobster, coal and timber—that taught Canberra the cost of dissent.

At the same time, Australia’s contribution to deterrence will likely increasingly rest on its ability to see first, decide early and coordinate with partners. Persistent maritime domain awareness across our northern approaches and the South China Sea is now foundational to effective deterrence. Yet with only three [MQ-4C Triton](#) uncrewed systems in service—and the fourth not expected until 2028—Australia’s capacity to sustain constant wide-area surveillance is constrained. Tritons can cover vast distances without putting crews at risk, so our limited number of systems will place greater strain on the P-8A fleet, requiring capability gaps to be filled through additional options, potentially through new autonomous systems.

On 1 December, Minister for Defence Richard Marles [said](#) that Australia ‘maintains constant maritime domain awareness in our geographic areas of interest—that’s Southeast Asia, Northeast Asia, the Northeast Indian Ocean and the Pacific’. That may be the goal, but the scale of those oceans and the increasing tempo of Chinese naval operations demand more scrutiny. After a second Chinese navy task group was found to be operating in the Philippine Sea on 5 December, legitimate questions arose about whether Australia

could independently monitor another [circumnavigation](#) without relying on New Zealand intelligence or commercial airline pilots for geolocation. Deterrence collapses quickly without credible surveillance and attribution.

The NSS is explicit that denying Chinese control over Taiwan or vital sea lanes of commerce in the First Island Chain is a core US priority. To this end, the US will enhance its military capability, but strongly assert it should not have to do this alone. For Australia, this will likely translate into pressure to not only spend more, but invest differently in surveillance, strike, basing resilience, logistics and industrial sustainment.

These conclusions rest on the NSS's most consequential assertion: economic power is now the decisive element of strategic competition. The strategy envisions the next decade being about the consolidation of US alliances and partnerships into a more cohesive economic bloc to maintain technological pre-eminence, growth and security of supply. Australia is explicitly named among those expected to adjust trade and investment settings to rebalance China's economy away from export dependency and to look to household consumption and other markets.

The NSS is another signal that Australia's separation of economics and security will come under increasing strain, and that the government will be confronted with difficult choices. Australia therefore faces not a question of alignment in principle—we are already aligned—but of depth and cost. The US is no longer prepared to underwrite regional deterrence while allies hedge economically and underinvest militarily. Collective defence, in Washington's framing, will now demand collective economic and industrial mobilisation.

Australia's 2026 National Defence Strategy will land squarely inside this new alliance environment. The question is whether it will do so in a way that clearly connects Australia's national interests, the threats we face, the forces we are prepared to build, and the resilience we are prepared to invest in.

Australia cannot credibly shape the regional order without increasing defence spending to address current gaps, and it cannot deter what it cannot see. For Australia, the US NSS is a call to contribute more, align more deeply, and understand that economic and military security are inexorably linked by our closest ally and most important strategic partner.

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The National Defence Strategy needs to give Australians clarity

Courtney Stewart



Image: Riley Blennerhassett/Department of Defence.

The next National Defence Strategy (NDS), expected in early 2026, should deliver something Australia has long lacked: a strategic narrative that tells the public what truly matters to our security, what threatens it, and how Defence will protect it. With no new major National Security Strategy since 2013 or a foreign policy white paper since 2017, the NDS now shoulders the weighty burden of defining Australia's national interests.

Because the NDS must speak for both security and defence, it needs to clarify and strengthen the two core tenets of any strategy: Australia's vital national interests and the threats that endanger them.

Australia can no longer rely on vague 'security' or 'stability' to justify multi-decade military investments. When the government asks Australians to support major investments—nuclear-powered submarines, a guided weapons enterprise, hardened northern bases and a larger defence workforce—it must explain their logic, not assume it. The public should be able to easily appreciate what risks justify these costs, what interests are at stake, why these capabilities matter and why they are needed now.

A strategy that cannot be explained is a strategy that's unlikely to be sustained—and today the stakes are too high for ambiguity. Without that clarity, government lacks a foundation to build the social licence needed for long-term investment. With it, Australians can more easily see what we are preparing for, why it matters and what trade-offs will be required. A strategy that links interests, risks and resources sharpens policy, elevates public debate and strengthens Australia's ability to act with purpose—both today and in the decade ahead. Strategy begins with an assessment of the environment.

When the 2025 Annual National Threat Assessment was released last February, the director-general of security, the head of the Australian Security Intelligence Organisation, put it bluntly: 'Australia has never faced so many different threats at scale at once ... Australia is facing multifaceted, merging, intersecting,

concurrent and cascading threats.' The 2025 threat assessment further declassified ASIO's outlook to 2030 to explain the threats Australia and Australians are facing. As a society we need to consider how we respond to these significant challenges.

And while the report clearly detailed the threats we face at home, we still lack a clear explanation for how the behaviour and actions of other nations are threatening our vital interests from afar.

The 2024 NDS also analyses our strategic circumstances, but it does not clearly connect them to our national interests, nor them to our defence policy, posture and capability requirements. It touches on these components but never links them in a compelling narrative that establishes what threatens us, what we care about, what outcomes we must protect or advance, and what capabilities are essential.

Until the Australian public understands why these threats matter, how are they expected to support the policy choices required to fund them? Leaders often speak of national interests, but it's likely that few Australians could clearly define them. That's because they are enduring, and aspirational as to what we seek to preserve or advance around security, prosperity, and an Australian way of life. They are guideposts that promote action.

Vital national interests are the narrower set of interests that must be protected at all costs because their loss would fundamentally endanger Australia's survival or sovereignty. Protecting the security of Australia and its people is core to this, but in today's world these interests are more complex as are the varied threats to them. Articulating our vital interests is more than a bureaucratic exercise; it is a democratic necessity.

The 2024 NDS does not explicitly identify vital interests, though many can be inferred. For example, it says Australia's interests lie in the 'protection of our economic connection to the world'. Yet, the strategy never explains which threats endanger that economic connection, nor which of the NDS's prioritised six capability effects or the six immediate priorities contribute to protecting it. Instead, threats are gripped up together under a 'strategy of denial' to deter actions against all threats to Australia's interests. This only raises further questions: which interests, whom are we seeking to deter from what threat, and do we have the capabilities for such deterrence?

Effective deterrence rests on the premise of discouraging the threatening actor from taking an unwanted action by influencing their decision-making calculus to not take an action. If we are deterring all threats all at once, we are likely to be deterring nothing. Deterrence succeeds when the potential aggressor refrains from acting because it assesses the likelihood of achieving its aim is too low or the costs of acting are too high.

Which threats does Defence prioritise as vital enough to deter and which capabilities are essential to protecting them?

Clear signals of commitment to defined interests and expressions of resolve are fundamental inputs to shaping the perceptions and calculations of potential aggressors. The 2026 NDS will be a significant opportunity to address this gap. The current NDS lists

goals, risks, tasks and capabilities, but it never squarely defines what Australia's vital interests are or how each defence investment is expected to protect them.

This missing narrative—the logic that runs from interest to threat to policy—leaves Australians unclear about what risks we are preparing for, why certain capabilities matter, and whether we are over- or under-investing in key areas. Right now, the public sees submarines, long-range missiles and basing as isolated, expensive projects that compete with other social priorities, not as crucial means to preserving Australia's vital national interests.

If Australia is to be ready for the decade ahead, the next NDS must finally tell the nation what matters, what threatens it, and how we intend to safeguard Australia's vital interests in this worsening security environment.

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With rigour and regularity, Australia's strategy process is just right

Colin Karotam



Image: Department of Defence.

We may be living in an increasingly dangerous world, as Australia's 16 April National Defence Strategy reaffirmed, but at least there is now more rigour and regularity in designing defence policy.

In releasing the first National Defence Strategy (NDS) in 2024, the government set in place a process to renew the strategy and its accompanying spending plan, the Integrated Investment Program (IIP), every two years rather than relying on irregular Defence White Papers.

This new process allows intelligence updates, technological developments and lessons from contemporary conflicts to inform a single, authoritative strategy that's issued at regular and suitably short intervals. In a department that often drowns in too many

directives and too much guidance, the NDS is a welcome lifeboat for everyone involved in national defence to board.

The NDS process seeks to regularly explain to Australians how the Australian Defence Force is postured and why various structural and capability decisions are made. Most importantly, it seeks to explain why the bang the government is seeking is worth the taxpayers' buck. This makes the biennial NDS process a vital component in continually shoring up Defence's social contract with a public focused on a range of other economic and social issues.

There are a number of other benefits in applying this kind of rigour and regularity to Defence strategy development. The two-year cycle enshrines reassessments of defence strategy as a whole, rather than ad hoc adjustments to parts of it that may have previously required attention between White Papers. The gap between the first Defence White Paper, released in 1976, and the second, released in 1987, was 11 years. Gaps since have varied from three to seven years. Deteriorating strategic circumstances call for quicker strategy reviews, and the current two-year cycle seems about right. Any shorter and the strategy could give capability developers and defence industry whiplash. Any longer and Defence could lose pace with changes in the environment, technological developments and lessons from current conflicts.

Releasing the NDS with the IIP shows the thread of logic linking the ends and ways, described in the NDS, to the means, described in the IIP. This gives clear marching orders to the new Defence Delivery Group due to stand up in July, on its way to becoming an independent Defence Delivery Agency in July next year. Having a dedicated, permanent team within Defence continually working on the government's next strategy builds knowledge and familiarity with the art and science of strategy development. That knowledge and focus was often lost between White Papers where teams of internal or external writers often had to start from scratch.

Another benefit of the government's Defence strategy development process has only become evident with the release of this second strategy. NDS 2026 has demonstrated how changes in the strategic environment and lessons from contemporary conflicts are feeding into strategy development and the IIP in a coherent and structured way. Take, for example, the conflicts in Ukraine and Iran, where the increasing value of drones, especially cheap and numerous ones, is plain to see. These conflicts have also reinforced a critical need for large stocks of guided weapons and explosive ordnance, again in significant numbers. This new strategy has assessed the need for these capabilities in an Australian context and doubles down on both. Similarly, national resilience was a key feature of the first strategy. If Covid-19 didn't drive home the requirement for our nation to enhance our ability to ride out global supply-chain shocks, the current conflict in the Strait of Hormuz certainly has. Again, this iteration of the NDS has further elevated the need for greater national resilience.

A good process for strategy development goes a long way to producing good strategy. The rigour and regularity the government has applied to producing an NDS and IIP on a two-yearly cycle is providing a thread of logic between the ends, ways and means of

national defence. The process allows for regular re-scans of our strategic environment and the incorporation of new technology and contemporary lessons from current battlefields. This current two-year process appears to have hit a sweet spot.

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How Australia's defence strategy converges with US's balance of power

Courtney Stewart



Image: Nell Bradbury/Department of Defence.

Australia's 2026 National Defence Strategy (NDS) marks a quiet but consequential shift from its predecessor, fundamentally redefining the political objective underpinning the Australian Defence Force's five key tasks. While the 2024 strategy focused on maintaining a rules-based order, the 2026 NDS prioritises active contribution to a favourable regional balance of power.

Defence of Australia's interests remains centred on protecting its economic connection to the world but is now framed in terms of shaping regional power dynamics. To that end, the strategy elevates three interlocking drivers: the Australia-US alliance, the role and presence of the United States in the region, and Australia's strategy of denial. These changes signal a shift in how the government defines the role of Defence – not as a supporter of an abstract rules-based order but as an active participant in shaping the balance of power. This change will have implications well beyond force structure, raising fundamental questions about how Defence contributes to that balance and Australia's China strategy.

Australia's elevation of the balance of power over the rules-based order in the NDS should be understood in the context of US national security policy, which has more explicitly shifted toward a realist view of the world layered on top of the existing liberal framework. The rules-based order rests on the assumption that institutions, norms and cooperation can shape state behaviour and deliver

stability. In contrast, realism is built on the idea that in an anarchic system, power, not rules, underwrites the order.

The return to a focus on balance of power, first in US strategy and now in Australia's, does not signal an abandonment of rules and norms. Protecting them remains an ADF task, and institutions and norms still matter. Rather, it's a recognition that the rules alone cannot shape China's behaviour as regional power dynamics shift. As the balance tilts, so too does the authority and strength of the rules that once sustained it. In the same regard, future cooperation will shift away from shared values to common interests.

The US's recent national security and defence strategies make explicit that a balance of power is now the organising principle for managing competition with Xi Jinping's China. The US National Security Strategy (NSS), released in November 2025, identifies this as a central objective, outlining that 'the United States cannot allow any nation to become so dominant that it could threaten our interests'. It commits Washington to working with allies and partners to maintain global and regional balances of power to prevent the emergence of dominant adversaries to thwart ambitions that threaten joint interests.

This is particularly important in the Indo-Pacific, the epicentre of economic and geopolitical competition and a region accounting for nearly half of global GDP on a purchasing-power parity basis. The stakes are explicitly economic: one-third of global shipping transits the South China Sea, making open sea lines of communication central to US prosperity and, by extension, its security. In this framing, maintaining US economic and technological pre-eminence, alongside a favourable conventional military balance, is the surest way to deter and prevent large-scale conflict.

To be clear, this US NSS is not simply a call for greater burden-sharing; it's also a reconfiguration of how the US generates a deterrence posture against China. It begins with a military capable of deterring conflict over Taiwan by preserving overmatch and denying aggression along the First Island Chain. This challenge is not solely for the US. It expects regional allies to invest in capabilities that support their own and collective defence, to deter aggression, and to provide greater military access to ports and facilities.

Together, this underwrites a denial-based posture, makes it harder for China to seize Taiwan and provides greater options to deter attempts to control the South China Sea in ways that could threaten a vital global artery of commerce. Further to this, the US seeks to prevent conflict through enhanced posture in the Indo-Pacific, a revitalised defence industrial base and greater allied military investment to achieve long-term advantage in economic and technological competition.

The 2026 US National Defense Strategy operationalises the NSS. It prioritises the deterrence of China and defines success as preventing any state from achieving regional dominance by setting the military conditions for a balance of power that enables a 'decent peace'. It's explicit about the challenge posed by the speed, scale and quality of China's historic and opaque military

buildup, and Beijing's persistent behaviour that is antithetical to US and allied interests.

To do so, the US will 'build, posture, and sustain a strong denial defense along the First Island Chain,' reinforcing deterrence by denial so that any attempt at aggression is judged likely to fail. It will also 'urge and enable key regional allies and partners to do more for our collective defense,' contributing in ways directly relevant to that mission and strengthening the balance of power through a shared, denial-based approach.

Australia's 2026 NDS reveals that it has absorbed US strategic logic, reflecting a shift in the international system and corresponding evolution in Australia's strategic direction. Beginning with the 2023 Defence Strategic Review, Australia has continually sharpened its focus on a region marked by large-scale military build-up and rising tensions. In the 2023 review, it introduced a strategy of denial to prevent coercive use of force to achieve dominance. This development was key to strengthening the ADF's ability to deny an adversary the freedom to act militarily to coerce Australia without being held at risk. The US alliance remained central, with Australia seeking to shape the region through coordinated use of national power and increased defence capability. This was Australia's contribution to the strategic balance of power.

The 2024 NDS elevated deterrence but narrowed Australia's role in shaping the region and reduced the centrality of the US alliance. It instead emphasised links between denial and deterrence, and closer international partnerships – not the US alliance – to ensure a regional balance.

Australia's 2026 NDS puts a finer point on the central role of the US in the region, and on the alliance's contribution to Australia's security. It minces no words, saying 'any effective balance of military power in the Indo-Pacific will require the presence and role of the United States.' The strategy of denial is refined to support regional security and prosperity by contributing to a favourable regional strategic balance, guiding Defence's contribution within a broader national defence effort. The NDS sharpens the objective: to deter threats to Australia's interests and regional stability through credible capability, capacity and resolve to hold adversary forces at risk. This is to be achieved in concert with the US and key partners, with Defence making a direct contribution to the regional balance through collective effort.

The addition of the new concept of Australia's 'self-reliance' and signalled responsibility for its own security to its key ally further reflects the significant shift in the security environment, requiring credible military power to ensure defence in crisis or conflict even when ally or partner support is limited. Australia's role in shaping its environment is to be reinforced through investment in sovereign defence industrial capability. In practice, the 2026 NDS aligns Australia with the US approach: a denial-based posture that contributes to collective defence, strengthening of regional deterrence, and support of a balance of power in which no state can dominate or coerce others without unacceptable cost.

In relation to China, what does Australia seek to achieve through the 2026 NDS? The nature of the threat is more evident: Beijing's strategy is shifting the regional balance of power in ways that threaten Australia's freedom and prosperity, that of its neighbours, and the US's position as a Pacific great power. As a middle power, Australia is positioning itself within a US-led network of allies and partners to collectively balance China. This approach accepts that Beijing's power and influence will continue to grow as it competes with Washington and other countries for regional primacy.

This is competition – a persistent and long-term struggle between nations pursuing incompatible interests without necessarily engaging in conflict. Tilting the balance requires sustained effort to shape where and how that competition plays out, in areas that favour US and allied interests or undermine an adversary's ability to coerce in pursuit of its own interests.

The theory of victory for the 2026 NDS is clear: contribute to a US-led counter-balancing coalition, build capability, and deepen partnerships to support Australian and regional deterrence, defence and security.

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Multinational combined joint force offers credible collective deterrence

Courtney Stewart



Image: Roger Tang/Department of Defence.

The Indo-Pacific's networked deterrence architecture must evolve into an institutionalised, combined joint mechanism that can harness the collective power of like-minded nations. Without change, a coalition approach will fail to deter threats to sovereignty and those to the rules-based order. Standing up a multinational, joint combined framework would fill a gap in the region's security architecture and ensure the military instrument can deliver political ends.

Australian officials, including the deputy prime minister and [minister for defence](#), and the [ambassador](#) in Washington have been clear:

Australia is pursuing collective deterrence. As former chief of the defence force general Angus Campbell clarified as far back as the 2023 [ASPI conference](#), Australia must work collectively because 'enhanced defence capability alone is insufficient. As a relatively modestly sized military, credible deterrence can only be delivered in partnership with those with whom we share common cause.'

Former commanding general of US Army Pacific General (Ret) Charles A Flynn [argued](#) at a September event that the region's challenges are inherently multinational and will only 'be solved by joint and multinational forces.' He described a multinational joint combined force for deterrence as the sum of four parts: capabilities, posture, messaging intent and the military and political will to act. Combined, these generate endurance and positional advantage with allies and partners in forward locations, narrowing an adversary's decision space and sowing doubt about operational success.

Credibility, implicit in that framing, must be made explicit. Today, the credibility of collective deterrence rests in the identification and ambition of a few bilateral partnerships with a stated willingness to uphold the rules-based order. This approach is not networked or integrated. A practical option would be to assemble a coalition of the willing in rising crisis when sovereignty is being threatened, relying on ad hoc national force packages coordinated off the back of existing bilateral relationships. This model creates doubts around whether the partners can act as one, under time constraints.

Collective deterrence through military means raises operational questions: Who leads coalition building, coordination and option development? Who is the single point for intelligence sharing, and can they all share the same type of sensitive information? Who communicates the deterrent threat to discourage the adversary from a particular immediate action? These cannot be solved ad hoc. Nor will all adversaries evaluate and weigh mass, scale and lethality of each partner the same way for all threats; the signal must be coherent and tailored, or risk failure and possible escalation.

Time is a weak link. Credibility depends on whether a multinational combined joint force can operationalise quickly enough to deter before events lock in and it's too late. Coalitions have historically had lengthy preparations and lead times. And while intra-war deterrence might still have value in a coalition context, it veers toward limited war or compellence, which are an even higher bar for success. Ultimately, even where capability, capacity and will exist, credibility is a matter of whether the adversary believes the threat can be executed in time.

A coalition organised for deterrence in a China-related contingency would require real-time coordination, intelligence sharing and joint decision-making at a level not yet demonstrated outside of exercises in the Indo-Pacific. Only three permanent institutions exist globally—the Combined Maritime Forces (CMF) in the Middle East, the Joint Expeditionary Force (JEF) in Northern Europe, and NATO—as frameworks designed to deliver focused, credible combined-joint capabilities with clear unity of purpose and political-military cohesion.

To make a combined joint force credible, like-minded allies and partners must address known challenges to coalitions. Political aims and thresholds, national caveats and rules of engagement require alignment. Command and control with clear supported and supporting relationships for information sharing must be clarified to empower fast decision-making. Interoperable capabilities and communications must be prioritised in ways that integrate for true force multiplying effects that ensure speed to task. Partners should establish strategic communications to clarify a single narrative messaging resolve, attribution and response actions, and establish de-escalation pathways to manage risk. Access, basing and overflight arrangements should be in place and regularly demonstrated in ways that support deterrence objectives, as well as habitual force generation and rotations to demonstrate readiness.

Coalition-based, collective deterrence will only be credible if an adversary believes partners can act as one within hours and days, not weeks. That requires compressing the decision-to-deployment-to-integration sequence, with pre-agreed authorities and command relationships so options can be activated within hours. The means and political will exist; credibility now depends on converting coalition intent into cohesive speed.

Institutionalised mechanisms such as the CMF and JEF are examples of [how to structure](#) a multinational joint force for military readiness. For collective deterrence to be a viable strategy in the Indo-Pacific, it must be tailored to the region's needs, geopolitical dynamics and be sufficiently flexible to be politically palatable. Pursuing a multinational joint force, under the umbrella of collective security, not a NATO-like formal collective defence treaty that binds its members, is the only realistic institutional option for our region to actualise collective deterrence.

The Indo-Pacific has a growing cadre of like-minded nations that share collective influence, but only by hard-wiring multinational cooperation, coordination and cohesion—politically and militarily, across the strategic, operational and institutional levels—will collective deterrence be credible.

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Australia and Japan take a big step towards collective deterrence

Courtney Stewart



Image: Kurt Lewis/Department of Defence.

Buried in the [joint statement](#) of an Australia–Japan defence and foreign ministers' meeting on 6 September was a step-change: Canberra and Tokyo would deepen cooperation on current and future deterrence activities, including flexible deterrent options (FDOs). That moves the partnership up significantly.

At last year's meeting, the two sides went as far as acknowledging an understanding of each other's approaches to deterrence. Now we see greater strategic alignment, including planning and moving more closely to deterring together. This is the prerequisite, after which joint FDOs would give both nations a shared ladder of military and non-military options to deliver coordinated and more credible collective deterrence in the Indo-Pacific.

FDOs are preplanned, deterrence-oriented actions used as an operational planning tool. FDOs are developed to facilitate timely decision-making by national leaders through calibrated options designed to signal resolve and influence an actor's behaviour before or during a crisis. The US *Joint Publication 5-0, Joint Planning* frames their purpose simply: to send a visible, credible message to shape an opponent's cost-benefit calculus and to position forces in a manner that, if deterrence fails, facilitates a military response. FDOs raise pressure gradually to avoid unintentional escalation.

While military-centric, FDOs are more effective when coordinated across instruments of national power—diplomatic, informational, military and economic—for combined effect. Practical examples of FDOs include increasing the tempo and visibility of exercises; show-of-force military deployments; threats of sanctions or imposing embargoes; publicising violations of international law; signalling support to allies and partners; and raising public awareness of an international issue and risk. While such options are not novel, what is new is the commitment to plan them with a key partner—by identifying triggers, roles, legal and logistics pathways and coordinated messaging—so they can be activated quickly and coherently, enhancing the credibility of deterrence.

Today, FDOs are a key fixture in the Japanese national security and defence framework and in the Japan-US alliance. They gained prominence in US planning in the 2010s when the Pentagon was identifying ways to harness deterrence for a wider array of unconventional scenarios across the competition continuum that could be tailored to a range of actors and regions for integration with the joint force, inter-organisational partners and allies. FDOs became a critical component of the [2015 Guidelines for Japan-U.S. Defense Cooperation](#). This created the Alliance Coordination Mechanism for developing and implementing joint FDO responses, as well as synchronise strategic messaging for deterrence and de-escalation scenarios. Since then, the alliance has homed in on roles and missions, improved operational readiness and response capacities and capabilities. To deepen cooperation on posture, capability development and exercises, Japan and the US have sought to leverage their partnership network with other countries that support the rule-based international order.

The *2022 National Security Strategy of Japan* and *Defence of Japan 2023* reaffirmed Tokyo's pursuit of a multilayered network with the United States and likeminded countries to strengthen deterrence. Japan does this through dialogue, training and exercising, information-protection agreements, reciprocal access agreements (RAAs), joint development of defence equipment, capacity building support, strategic communication and FDOs. This approach is part of Japan's deterrence logic of a coordinated deterrence posture: using whole-of-government measures with allies and partners to shape a security environment that is resilient enough to resist attempts at unilateral changes to the status quo by force or coercion.

The latest Australia–Japan joint ministerial statement signals that our special strategic partnership is ambitiously and unambiguously a commitment to collective deterrence in our region, with FDOs as the tool to operationalise strategic alignment. Deterrence succeeds when, by raising the costs or denying the benefits of action, it prevents unwanted behaviour from a potential aggressor dissatisfied with the status quo. For deterrence to be effective, the threat of denial or punishment rests on having the capability to act, credible willingness to carry out the threat, and unambiguous communication of the signal of that threat. Doing that collectively is harder, demanding integration of planning, authorities, messaging and trust.

This partnership is positioned for the task. As Defence Minister Richard Marles said at the joint ministerial [press conference](#), 'There is no country with whom we have a greater strategic alignment than Japan. We are both democracies. We both support a global rules-based order. We are both allies of the United States [and] there is no country in the world with whom we have greater strategic trust.' Australia and Japan share common interests and shared a vision, a will and capability to realise a free and open Indo-Pacific, and a stated intent to deter unilateral attempts to change the status quo by force or coercion in the East China Sea and the South China Sea.

The practical enablers are falling into place. The RAA is expediting mutual deployment processes; an acquisition and cross-servicing agreement standardises refuelling, medical, and logistics support; liaison officers are exchanging in operational commands; and force posture cooperation is broadening. Participation by Japan's Amphibious Rapid Deployment Brigade in US Marine rotations in Darwin is expected to be regularised, as are reciprocal deployments of Japanese and Australian F-35s. The Australian destroyer HMAS *Brisbane* is heading to the Japan Maritime Self-Defense Force base in Yokosuka. This will be the first instance of Australian resupply and maintenance in Japan in many decades. Such activities greatly enhance interoperability between Australian and Japanese forces and strengthen their projection capabilities.

Both countries are increasing the number, frequency and scale of training and exercises. At the same time, they are bringing each other into their bilateral exercises with partners, laying the groundwork for a network of collective deterrence. Japanese and Australian recent observation of Exercise Salakinib between the Philippine and US armies will be updated to full participation in 2026, enabling Tokyo and Manila the opportunity to exercise their recent signing of an RAA. These examples are some the wide array of defence cooperative activities that point to enhanced interoperability with purpose.

As the 50th anniversary of the Australia–Japan Basic Treaty of Friendship and Cooperation approaches in 2026, both countries are seeking to elevate their defence cooperation as a central pillar of coordination among like-minded partners in realising a free and open Indo-Pacific through collective deterrence. Joint FDOs and the establishment of a standing coordination mechanism are practical next steps. These measures should translate into institutionalisation of bilateral planning with pre-cleared legal and coordination pathways, clear roles and burden-sharing, and calibrated military, diplomatic, informational and economic signalling that can be scaled with partners when required.

This is the partnership to watch as collective deterrence in the Indo-Pacific moves from aspiration to an [operational coalition](#).

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Part Two: Regional security

Australia in a disordered world

Mike Hughes



Image: Department of Defence.

Everything Australia has achieved—prosperity, stability and strategic freedom—has been underwritten by a great power that shared our values. First it was Britain, then the United States. But with the second Trump administration, that arrangement is now uncertain—and there is no replacement. What we do know is that the period in which US power underwrote the liberal democratic principles that have shaped global norms since 1945 is over. A historical aberration at an end.

But while US uncertainty is deeply destabilising, there is a greater threat to Australia's liberal democracy: China's intentional, coordinated effort to replace the existing international system with an order that preferences the Chinese Communist Party's authoritarian interests. The threat is accentuated by our tying of our economic fortunes to an authoritarian state that doesn't respect our democracy, national values or sovereignty. Indeed, it actively seeks to undermine them.

We must avoid the trap of false equivalence. The socio-cultural convulsions afflicting the US may make it unreliable, but it is China that is unmistakably threatening. The US undermines confidence; China seeks to undermine the system itself. The US is drifting to an unknown destination; China has spent decades enacting a plan to reshape global norms to privilege authoritarianism.

China's strategic intent: a system built for authoritarian dominance

President Xi Jinping's frequent invocation of 'great changes unseen in a century' reflects the CCP's belief that global power is shifting in China's favour, enabling it to correct what it views as historical injustices and reclaim a central role in global affairs. China's economic weight underpins this ambition. The Belt and Road Initiative was its first major effort to reshape international

norms, later reinforced by the Global Security Initiative, the Global Civilisation Initiative and the Global Development Initiative. In 2025, these were joined by the Global Governance Initiative, forming the pillars for an alternative, Sino-centric world order, which Beijing claims will benefit humankind.

The CCP has entrenched a narrative of 'Century of Humiliation' victimhood into national education, instilling the idea that China's rise is both corrective and inevitable. While condemning Western imperialism, it sanitises its own. Rather than looking to the future, it looks to the past. Its grievance-driven nationalism frames external disagreement as hostility and conditions its public for confrontation.

In late November, Japanese Prime Minister Sanae Takaichi said that Japan could deploy its military in a Taiwan contingency. In response, China's consul general in Osaka posted on X saying that Japan's leaders should have their 'dirty heads' chopped off. Those comments aren't an aberration: they are the content of the Sino-centric order's character.

Colluding with other authoritarian states—most notably Russia, through their no-limits partnership—China works to dilute the liberal principles that have underpinned global prosperity and stability since 1945. And it seeks to be the leader in technologies that will be foundational to global power in the coming century, in part by plundering our intellectual property and leveraging the naivety of our universities. China's undertaking of the largest military build-up since World War II, combined with its egregious behaviour, stokes fears over its ambition to reshape the global order at others' expense.

As documented in ASPI's *Pressure Points* project, China has intensified its use of military pressure and grey-zone tactics against a range of countries to undermine norms, coerce neighbours and advance its interests. Beyond military intimidation, it employs a full spectrum of coercive tools, including:

- Lawfare to legitimise contested territorial claims;
- Economic punishment to silence critics;
- CCP United Front operations to subvert sovereignty and intimidate and leverage diaspora communities;
- Elite capture and corruption to secure alignment;
- Hostage diplomacy and arbitrary detention of foreigners to secure concessions;
- Cyberwarfare to shape negotiations, influence decision making and pre-position disruptive capabilities in critical infrastructure; and
- Information manipulation to control discourse, including persistent misrepresentation of United Nations General Assembly Resolution 2758 as global recognition of China's sovereignty over Taiwan.

While the West assumed that integrating China into global trade would encourage liberalisation, Beijing instead used its access to international markets to distort competition. State subsidies and export driven strategies have hollowed out foreign industrial capacity, deepened global dependencies and strengthened China's leverage within the very system it seeks to transform.

What have we to fear from the Sino-centric order?

The Western rules-based order, though imperfect, was the most effective system yet devised for mitigating great power excess and protecting the sovereignty and agency of smaller states. Anchored by liberal democratic values, it offered transparency and predictability. The US, acting as a largely benign hegemon, underwrote global stability after 1945. This framework enabled unprecedented economic growth, helping transform nations such as South Korea from among the poorest to among the richest. Former adversaries—Germany, Japan and Italy—rebuilt into economic powerhouses and became some of the order's strongest advocates.

A Sino-centric order would replace a broadly stabilising system with one engineered to serve the priorities of the CCP. Such an order would empower an authoritarian regime marked by internal repression, aggressive nationalism and systematic foreign interference—a party that rules by law, rather than subjecting itself to the rule of law.

The CCP's domestic record shows its behaviour when unrestrained: broken commitments on Hong Kong, genocide in Xinjiang and an increasingly capricious environment for businesses that operate only at the party's pleasure. If this is how the CCP treats its own population, imagine how it will treat the rest of us. Our world would be less free, less stable and governed more by coercion than consent.

Australia's experience is a sobering reminder. After signing a comprehensive strategic partnership agreement with Beijing in 2014, Canberra believed the relationship to be positive and manageable. But by 2017 it was evident that, while we pursued cooperation, the CCP was interfering in our politics, targeting our critical infrastructure, engaging in cyberwarfare and weaving false hostile regional narratives to undermine our standing with our neighbours. When we acted to protect our sovereignty—and assisted partners who drew inspiration from our example—China responded with economic coercion, arbitrarily detained our nationals and sought to export its authoritarian values into our political system with 14 political demands. That was a CCP restrained. A Sino-centric order would enable far worse.

What are we doing about it?

Australia's Labor government has sought to stabilise relations with China in the wake of Beijing's punitive measures. This has helped restore trade and returned one of our arbitrarily detained nationals. But stabilisation is a tactical solution to a strategic problem—we can't stabilise a relationship with a revanchist power that seeks to overthrow the very order upon which our

prosperity and sovereignty depend. And as sanctions are replaced by the persistent threat of their re-imposition whenever Beijing's malign activities are challenged, coercion remains. The CCP's desires still hang like the Sword of Damocles over sovereign Australian decisions.

But look deeper and there's much to leave the CCP dissatisfied. Stabilisation is hardly the enthusiastic embrace of the Sino-centric order the CCP seeks. It's a holding term, a means to some other end rather than an end in itself. While Prime Minister Anthony Albanese talks of independence within the US alliance, he still publicly upholds it as Australia's most important security partnership, precisely because it provides the capability to balance China's threat. No other actor can credibly offer the same deterrent.

Just as important is what Canberra is doing, not just what is being left unsaid. Australia is engaging in measures to counter China's coercive tendencies, protect national resilience and strengthen collective deterrence with partners.

Initiatives include:

- Pursuing high-level agreements with foreign and defence ministers across the Indo-Pacific, including Japan and India, along with a commitment to the Quad, all designed to uphold a free, open, inclusive and rules-based order;
- Maintaining [commitments](#) to AUKUS and enhanced US force posture initiatives, signalling long-term alignment with Washington;
- Building a more integrated defence industrial base through partnerships with US treaty allies Japan (building Mogami-class frigates) and South Korea (building Redback armoured vehicles in Geelong), demonstrating commitment to a distributed and resilient defence production ecosystem to secure supply chains in a contested region;
- Investing in Pacific integration, with Foreign Affairs Minister Penny Wong [saying](#) we're in a 'state of permanent contest' with China in the region;
- Expanding military training and exercises, such as Talisman Sabre 2025—the largest ever, with more than 30,000 military personnel from 19 nations—and Exercise Alon 2025 with the Philippines, where Australia projected a battle-ready force into a key location in the First Island Chain; and
- Continuing freedom of navigation [operations](#) in the South China Sea to uphold the rules-based order.

Beijing sees these measures, with its *China Daily* mouthpiece warning that attempts by Canberra to 'butter both sides of its bread' aren't sustainable. Australia may be committed to stabilisation, but it's only a matter of time before China seeks a reset.

What more can be done?

Singaporean Prime Minister Lawrence Wong [noted](#) in late October that the rules of the old global order were fading while new ones remained unwritten. If Australia wants a say in shaping that

emerging order, we must invest far more in the tools of power that give us a voice: defence capability, diplomacy, development partnerships and resilience. If we don't help define the rules, others will.

Deterrence still matters. We need credible military capabilities to raise the cost of coercion, alongside deeper economic and diplomatic ties that give our neighbours choices. Every state wants autonomy, but not all have the agency to secure it. Unequal burden-sharing is inevitable; if Australia wants influence, we must be prepared to shoulder more than our share.

Australia has assets that our region values, and we have partners—Japan, South Korea and European democracies—who share our interests and want to shape the order with us.

No one, including China, wants war. Beijing prefers to win without fighting, using its strongest levers: economics and technology. Wong is right to reject false binaries, but Australia must prepare for the economic and technological bifurcation emerging from Sino-US rivalry. Hedging between our economy and security will become increasingly untenable, and difficult choices will soon be forced upon us.

Australia continues to operate on assumptions from the old order, where globalisation wasn't weaponised. That world is gone. We must abandon the illusion that economics and security are independent domains; they never were. China and Russia understand this. The West is only now adapting.

Ultimately, Australia needs a national conversation, buttressed by bipartisan consensus and involving the media, business, academia and civil society, about the world we now inhabit: one defined by contest, coercion and diminished certainty. Disorder is upon us. The question is whether Australia helps to shape it or is shaped by it.

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A coordinated trans-Eurasian threat: the deepening Sino-Russian strategic partnership

Rajeswari Pillai Rajagopalan, Mike Hughes



Image: Taiwan Security Monitor/X.

The Sino-Russian no-limits partnership is the driver of an anti-Western axis that seeks to weaken and reshape the global order that has underpinned Australia's post-1945 prosperity and sovereignty. Naysayers may claim it isn't an alliance, but it certainly is a deepening partnership that challenges decision makers seeking to safeguard Australian interests in a contested world.

Economic coercion, defence cooperation and joint propaganda by China and Russia are directly shaping Canberra's strategic thinking, including in the upcoming National Defence Strategy (NDS). This should lead to increased funding through the NDS, and not just for the four years of the budget's forward estimates.

Sino-Russian cooperation and antagonism to the Western-led order is hardly new. For authoritarian regimes, the threat of liberal democratic ideas is just as threatening as military power. Indeed, it was the former, not the latter, that drove Putin's disastrous decision to invade Ukraine in 2022 and has driven Beijing's support of Moscow's aggression since.

But, as set out in a new [report](#) by ASPI today, the depth of the Sino-Russian partnership is new. While the West concentrated on delinking economic prosperity from national security considerations after winning the Cold War – harnessing a supposed peace dividend – Moscow and Beijing set about putting aside their differences. Western strategic success against the Soviet Union and the dazzling military success of the First Iraq War were enough to convince the authoritarians in Beijing and Moscow that they needed to work together to preserve their systems. Their declaration of a 'no-limits partnership' in 2022 only acknowledged what had been three decades in the making.

The West must now recognise it is facing a coordinated transcontinental Eurasian threat not seen in at least half a century. The partnership has even graver implications as the United States limits its traditional role in upholding the global order.

Beijing and Moscow are working together on advancing geoeconomic fragmentation, building alternative economic blocs and financial systems and increasingly complicating trade and economic security considerations. Further, their increasingly complex joint military exercises, together with diplomatic coordination and strategic signalling, serve Beijing's interest in altering the regional balance and signalling Western decline. Russian defence technology (not always provided voluntarily), operational experience and military cooperation have accelerated China's military modernisation, the key challenge for Australian defence planners over the coming decade.

In return, China has become a key political and economic supporter of Russia, helping it mitigate effects of Western sanctions in the wake of the Ukraine invasion. While Russia may fret about falling to junior partner status, the mortgaging of its long-term sovereignty and status to China is now integral in buttressing Putin's kleptocratic regime.

Still, some analysts and policymakers question the durability of the partnership, arguing it lacks long-term strategic glue. Such optimism is unwarranted: the partnership need only be mutually beneficial, and it is. As analysts have noted, Russia and China may not agree on what they stand for, but they are united on what they oppose: the Western liberal international order. And, even if the partnership does eventually deteriorate, it will greatly damage Australian interests in the meantime. Rightly, Australia's growing network of security partnerships is in part a response to this Sino-Russian challenge. Just last week saw the Australia–European Union Security and Defence Partnership. Such efforts do not replace the US, which will remain Australia's most significant security ally. But this international network, together with a credible defence capability and diversified economic partnerships, are essential to maintaining deterrence and regional stability amid a rapidly deteriorating security environment.

Australia and its friends need to hold multiple truths simultaneously: China is an important economic power but also a strategic adversary. China and Russia are aligned across defence, trade and ideology and are working together in Europe and the Indo-Pacific. Beijing has served as the main enabler that keeps Moscow going in the war on Ukraine. Both seek to impose their authoritarian values globally.

The Sino-Russian partnership has also been the anchor for a larger authoritarian grouping, including Iran and North Korea. Certainly the weakening of aligned regimes in Syria, Venezuela and Iran in the past 12 months has caught Russia and China off guard, and they have proven unable to provide meaningful support for those regimes, at least in the short term. But the axis remains a multi-nuclear nation group with China as its strongest element and Russia its most disruptive.

Just as China learnt from the end of the Cold War and First Iraq War, we will need to understand what Moscow and Beijing are learning from recent axis degradation, exhibitions of US military and technological power, Western redlines and instances of regime

survival. The NDS should demonstrate that Australia understands these challenges and is responding to them. If we keep misjudging the importance of the Sino-Russian partnership, we will have learned the wrong lessons.

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Despite a supposedly defensive policy, China's military budget rises fast

Rajeswari Pillai Rajagopalan

China's military budget increases keep painting a picture that's inconsistent with the country's claims to a defensive policy.

The rise for calendar 2026 would be 7.0 percent, Chinese Premier Li Qiang told the annual meeting of the parliament, the National People's Congress, last week. The country would spend 1.9 trillion yuan (roughly US\$275 billion or A\$387 billion) on defence, Qiang said.

This is only marginally lower than the 7.2 percent for each of the past three years and consistent with a slowing in annual GDP growth to between 4.5 and 5.0 percent. (The GDP and budget growth rates aren't directly comparable, because fiscal numbers aren't adjusted for inflation.)

It should be noted that the level of defence spending is generally not accepted. External analysts give considerably higher figures that include, for example, research and development that the armed forces don't pay for. They don't believe, despite Beijing's claims, that only 1.5 percent of GDP goes to the armed forces.

China has often had double-digit increases in its defence spending: 10.7 percent in 2013, 12.2 percent in 2014, 10.1 percent in 2015. Declines in the rate of growth since then have coincided with slower GDP expansion.

This still leaves China's neighbours facing enormous military power on their doorsteps. China's sustained higher defence spending has altered the military balance in the region and pushed many countries in the region to respond. They will not stop. Chinese defence spending is promoting an arms race.

Another issue is lack of transparency, particularly the purpose of such consistently large defence budgets.

This adds to existing concerns. China has used grey-zone tactics, some with its maritime militia and coast guard, to intimidate neighbours in the South China Sea. As ASPI's [Pressure Points](#) project details, China has systematically used a variety of non-kinetic, close-proximity and unsafe encounters in an effort to coerce neighbouring states without using force directly.

Further, China's militarisation of the South China Sea—especially in the Parcel and Spratly islands, including setting up of military

bases and [intelligence and surveillance posts](#)—shows the gap between China’s rhetoric and reality.

The Chinese government’s Xinhua News Agency maintains that ‘adjusting defense budgets to meet national security demands is a sovereign right’ and that the country’s military spending is merely to ‘safeguard its sovereignty, security, and development interests.’ But China also claims ‘it is the only major country in the world to enshrine “peaceful development” explicitly in the Constitution and the charter of the governing party’—a statement that China’s actions render meaningless.

Japan has been a consistent critic of China’s military opacity. Defence Minister Shinjiro Koizumi in December last year [faulted](#) China for just this. In particular, China’s unexpected and rapid nuclear expansion is a problem, with Yoshihide Yoshida, former chief of staff of the joint staff of the Japan Self-Defense Forces, [indicating](#) a ‘very strong sense of crisis when China is expected to reach nuclear parity with the US by the mid-2030s.’

Australia too remains concerned about China’s lack of transparency around its military build-up and defence spending, with Defence Minister Richard Marles [demanding](#) ‘strategic transparency and strategic reassurance from China.’ Lack of transparency is made worse by reports about China preparing for a military invasion of Taiwan in 2027. Moreover, China’s redefinition of national security in a May 2025 [white paper on national security](#) also encourages greater concern about China’s behaviour. Because China now defines national security in more global terms, we can expect a bigger role for the armed forces in meeting China’s national-security objectives worldwide.

Finally, China’s continued military build-up will compel other countries in the region to respond with their own capability development. For instance, Japan will spend more than [9 trillion yen](#) (around US\$56.5 billion or A\$79.9 billion) on defence in 2026, in part for counter-strike capabilities and coastal defence. The budget includes 970 billion yen (about US\$608 million or A\$861 million) for stand-off missiles and 177 billion yen (about US\$1.1 billion or A\$1.5 billion) for indigenously developed and upgraded Type-12 surface-to-ship missiles with a range of 1,000 km. Japan is also reported to have [earmarked](#) 100 billion yen (about US\$627 million or A\$888 million) for a variety of uncrewed vehicles for surveillance and defence.

Smaller countries in the Indo-Pacific may not be in a position to engage in an arms build-up of such a scale, despite recognising their security vulnerabilities. Their anxiety will rise and may prompt them to search for new security partnerships, as Vietnam is doing already. Such new partnerships, in turn, will further create insecurities in China. This cycle will continue as long as China refuses to address regional concerns about both its defence spending and, even more so, its opacity about the purpose of this growing budget.

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Timor-Leste and its partners need to step up as Chinese interest in Timorese waters increases

Eric Frécon and Christine Cabasset

Australia and its partners need to monitor the developments in China’s engagement with Timor-Leste carefully. Canberra should also, ideally, implement proactive initiatives to strengthen its own relationship with Dili.

Given Chinese interest in controlling choke points in the Indo-Pacific, there are reasons to expect that Beijing will aim to gain influence over the small country, 450 km from the Australian mainland. Namely, Timor-Leste offers significant strategic benefits to China, not least being its proximity to straits that give access to the Indian Ocean.

This is of direct concern to Australia as Timor-Leste’s waters are directly adjacent to Australia’s exclusive economic zone, and its maritime approaches are close to [Australia’s north](#).

Timor-Leste’s and Australia’s strong relationship is governed by long-standing support, geographical proximity and strategic interest. Indeed, Canberra is Dili’s most significant defence partner. After two decades of strained engagement – primarily due to Australia’s demand for hydrocarbons and its resistance to negotiating maritime borders until a new [treaty](#) was signed in 2018 – Prime Minister Anthony Albanese’s first official visit to Dili in early 2026 and the signing of a [New Partnership for a New Era](#) reaffirmed the critical role of the bilateral relationship. It also highlighted the common will for a Greater Sunrise gas field joint exploitation to the benefit of Timor-Leste.

Additionally, Timor-Leste’s diplomatic engagement in the region, including its [accession](#) to the Association of Southeast Asian Nations last October, means that Chinese engagement may not be a short-term concern, but it is of longer-term interest to Australia.

Last year, the president of Timor-Leste raised the possibility of his country’s military [participating](#) in exercises led by the Chinese military, only if the activity is ‘not directed at any perceived hostile entity’. Timor-Leste and other ASEAN members have similar relations with China, namely the [rejection](#) of taking sides in great-power competition between the United States and China.

Given China’s growing interest in the surrounding waters, maintaining strong relations between Australia and Timor-Leste is vital. Beijing is aware of the significance of the 3,000-metre-deep Ombai and Wetar Straits, located north of Dili. These straits are already critical: five [undersea cables](#) run through them. As US-backed cables increasingly [avoid](#) the South China Sea due to Chinese interference, the Ombai-Wetar corridor could emerge as a subregional hub for digital infrastructure.

The straits also serve a military function, offering one of the few discreet deep-water transit routes for both Chinese and Australian submarines. For China, these straits represent an [alternative](#)

gateway beyond the first island chain – alongside the Balabac, Mindoro-Sibutu-Makassar-Lombok route and the Bashi Channel between Taiwan and Luzon – allowing access to the approaches to Australia. Echoing Hu Jintao’s 2003 [Malacca dilemma](#), if traditional chokepoints were to be blocked, these waters could become a new sea lane for Beijing.

For these reasons, it would make sense for China to seek opportunities to navigate around, place undersea sensors (as the [expertise](#) is available within the Chinese military), map the seabed and collect data regarding the traffic and the composition of the water, enabling more efficient sonar use.

Dili also previously awarded construction contracts to China related to the Tasi Mane petrochemical project on the Southern coast, leading Australia to fear the establishment of a Chinese-controlled port. This is only 450 km away from Darwin, where the lease awarded to the port by the Northern Territory in 2015 to Chinese-owned company Landbridge [is likely to be reviewed](#). Albanese has [made it clear](#) that the government wants the port returned to Australian ownership.

Based on the opacity of increasing Chinese engagement in security and maritime affairs, there are a few things Dili can do to protect its sovereign rights. To show its concern, Dili has already organised a 14-day mapping [mission](#) with the privately owned US scientific vessel OceanXplorer. Additionally, Dili, which is poorly equipped with just three patrol boats and 250 navy personnel, should continue to diversify its naval partnerships alongside Australia to monitor any potential maritime activity.

This could be a good opportunity for liked-minded partners such as Australia and France to work together. It would follow [defence cooperation](#) between France and Timor-Leste, two successive port-of-calls of the *Vendemiaire* frigate in Dili in [2024](#) and [2025](#), and the visit of the French Navy ship *Auguste Benebig* in February.

Paris can also share its expertise in deep sea warfare (as it got a head start through its [Seabed Warfare Strategy](#)), in maritime governance (through its unique model, named ‘State Action at Sea’) and in anti-submarine warfare. As for the latter, its navy demonstrated its capability along the Indonesian straits during the 2025 *La Perouse exercise* and in 2023 for [hydrographic cooperation](#) off Aceh. In March, it also received its fifth US 6th Fleet award, which rewards the [most efficient](#) units in submarine detection and tracking.

Better maritime domain [awareness](#) would also contribute to the fight against [illegal trafficking](#). And if partners drop their guard, Australian and East-Timorese fishermen could soon catch Chinese drones in their nets, as has already happened in the [Indonesian Makassar Strait](#) and the [Philippine Balintang and Luzon Straits](#).

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Australia and Papua New Guinea: a relationship worth investing in

Mike Hughes

‘Australia is secure when Papua New Guinea is secure, and Papua New Guinea is secure when Australia is secure.’ So [said](#) Billy Joseph, PNG’s minister for defence, at the ASPI Defence Conference in June.

This sentiment underpinned the intent of both governments this week to sign the Papua New Guinea-Australia Mutual Defence Treaty (the Pukpuk Treaty, named after the pidgin term for a crocodile). It contains ambitious measures to deepen the integration between the two nations’ defence forces and elevates their defence relationship to an alliance. It would mark the first such treaty by PNG with another country and would be Australia’s first since the 1950s.

But attention now rests on the failure of the signing to go ahead, reportedly due to the PNG government’s inability to achieve a cabinet quorum. In a country like PNG, with its rugged geography and sometimes unreliable transportation, this isn’t unheard of—especially during a week of national celebrations for the 50th anniversary of independence, when politicians were expected to be in their electorates.

However, it’s notable that this treaty was an initiative of the PNG government of Prime Minister James Marape, not Australia, and needed investment of significant political capital on his part, notwithstanding Joseph’s clear articulation of the interdependency of PNG and Australia’s security. So, Marape’s failing to pull his cabinet together in time for a significant signing while Australian Prime Minister Anthony Albanese was in the country for the anniversary celebrations is odd.

Likely at play here is a mix of some cabinet members’ concerns over sovereignty (heightened by the anniversary being one of independence from Australian colonial administration), a variety of special interests, and China’s [campaign](#) across the region against such [partnerships](#), which weaken its influence and coercive hand.

Whatever the cause for the delay, the prospects are still good for an eventual signing, though the treaty would still be subject to parliamentary ratification. The strategic trends and fears shaping the region towards greater integration aren’t going away. Indeed, they’re accentuating. Hence Marape’s statement that ‘in the interests of protecting the country, I’m making this call’ and his ensuring that at least a [communiqué](#) was signed with Albanese before he left.

A constant thought plaguing the minds of regional capitals is the deterioration of the geopolitical environment, typified by Beijing’s [military parade](#) this month, which complemented its decades-long bellicosity and military intimidation of neighbours—ranging from [Japan](#) to [Taiwan](#), the [Philippines](#), [India](#) and beyond. Concerns can only have been accentuated by President Xi Jinping’s invitation of a who’s who of international autocratic leaders who shared his penchant for military intimidation and revanchism.

Australia should firm up ties with Kiribati before China does

Eric Frécon



Image: Australian National University Open Research Repository.

China is trying to gain more influence in Kiribati but has yet to fully consolidate it. While Australia should seize this very last moment to counter China's efforts, it should ensure it does so in partnership with Kiribati.

The balance of influence on Kiribati between Australia and China has been shifting. Tarawa has deepened ties with Beijing since resuming diplomatic relations in 2019, most recently discussing collaboration on deep-sea mining. Then, in 2024, Kiribati initially opted out of Australia's Pacific Engagement Visa (PEV) and had a diplomatic row with New Zealand last year. Australia should be concerned, given Kiribati's strategically important location in the Pacific and issues of [government transparency](#).

Kiribati exemplifies the underestimated influence of microstates in shaping the international agenda, especially on environmental and nuclear issues. Its geographically significant exclusive economic zone spans 3.5 million square km and is crossed by nine undersea cables connecting the United States with Southeast Asia and Australia.

Kiribati's location has long been of interest to China. It maintained a satellite station in Tarawa until Kiribati made the diplomatic switch to Taiwan in 2003. China is also aware that Kiribati is close to US and French territories as well as key military bases, and sits on potential supply routes should a crisis break out in East Asia. Observers [say](#) China may invest in a runway on Kanton Island, in competition with Australian and US [interests](#).

Recently, Beijing has been leveraging its full arsenal to interfere in Kiribati's domestic affairs. It donated books about China's successes to the parliament library. Chinese diplomats were seen near parliament just before its opaque adjournment in 2019 following the sudden restoration of diplomatic relations. The Chinese embassy in Kiribati demonstrates respect and care through visits and donations, coordinating the docking of the Chinese military's hospital ship in Tarawa in 2023, as

Such concerns had already driven PNG down the path of integration with a trusted partner in Australia. As Joseph noted in his address in June, 'PNG stands with Australia and those countries that share the same values and that we have strategic trust in, and also countries that subscribe to an international rules-based order and a free and open Indo-Pacific.' This belief has already manifested in a deeper defence relationship in recent years. Examples are Australian investments in key defence infrastructure, the appointment of a PNG officer as deputy commander of the Australian Army's 3rd Brigade while Australian officers are stationed with PNG units in Wewak and Port Moresby, and PNG's hosting this year of part of Exercise Talisman Sabre. Indeed, PNG became the first country other than Australia to ever do so.

For Canberra, deeper regional integration is a key theme in Pacific policy, as reflected in the [2023 Falepili Union treaty](#) with Tuvalu, the [2024 Nauru-Australia Treaty](#), the [2025 Nakamal Treaty](#) with Vanuatu and in the earlier [rugby league deal](#) with PNG. The areas dealt with in such initiatives, ranging from climate to critical infrastructure to security and development, speak to shared interests across the region in stability, good governance and prosperity. Canberra sees an integrated approach to defending these interests as necessary inoculation against the converging threats and malign interests that now characterise the more dangerous world we live in.

As our closest neighbour, PNG has occupied Australian strategic thought and invoked concerns about being a launch pad for threats to Australia since the 1800s. Initial anxieties about German and French colonisation manifested in Australia's first independent military operation, against Germany's northern New Guinea colony in World War I, and were realised starkly in World War II when Imperial Japan invaded New Guinea as a precursor to isolate and potentially invade Australia. These fears [borne of strategic geography](#) are still in Australian thought today, with Canberra having worked closely with Port Moresby since independence to ensure that their mutual security interests are safeguarded through bilateral defence cooperation.

Canberra will also be mindful of Papua New Guinea's growing status as a gateway between Asia and the Pacific, helped by its resource wealth, energy potential and ambition to exercise regional leadership. Its estimated population of almost 11 million vastly eclipses the combined total of Pacific Island countries and is expected to double every 30 years, putting it on a path to be potentially bigger than Australia's by mid-century. Among the states of the southwest Pacific, it is *the* power already and will only become increasingly so, shaping its neighbours and the region as it does so.

This proposed alliance is not just about dealing with the problems of today. It is a choice between two sovereign neighbours to invest in their shared future, to their mutual benefit and to the region's.

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well as building a park and funding grass-root groups and non-governmental organisations.

China is also active in Kiribati's fishing industry, through joint ventures of companies based in Fiji or related to Chinese state-owned enterprises. In 2024, the Environmental Justice Foundation reported illegal trans-shipments in Kiribati waters by fleets operated by Chinese firm Zhejiang Ocean Family.

Additionally, Chinese police continue to operate in Kiribati. It remains unclear how exactly they are assisting their local counterparts and what they are gaining in return.

Democracy in Kiribati is challenged by the Chinese influence. Despite regular elections, Kiribati ranked ninth out of 12 in the 2023 Pacific Islands Media Freedom Index. In 2024 elections, opposition leader Tessie Lambourne – a former ambassador to Taipei – was unable to challenge the president. In her constituency, she faced a former minister and an unknown schoolteacher. The teacher unexpectedly received significant campaign funding and got the most votes.

Despite China's efforts to seek influence in Kiribati, it faces several challenges. An educated elite emerging from Kiribati's top universities may work to reduce the risk of manipulation. Throughout history Kiribati has switched diplomatic partners as needed. It recognised the People's Republic of China in 1980, but switched diplomatic recognition to Taiwan in 2003 before switching back to China in 2019. And Kiribati has not yet fallen into the Chinese debt trap, as is clear from the Pacific Aid Map.

China also faces competition from other countries. Its increase in aid to Kiribati since 2019 has been effective, but has attracted Western interest. Australia ramped up its own engagement by training Kiribati's police force and visiting the outer islands more frequently. In February, an Australian Pacific support vessel delivered humanitarian assistance to Banaba Island. Last year, France sent its joint commander for Asia Pacific to Tarawa for a visit, and later set up collaborative training sessions, patrols and infrastructure renovation projects.

Kiribati remains dependent on foreign support and vulnerable to influence, with the lowest GDP per capita in the Pacific and aid accounting for 18 percent of national income. Australia must continue to monitor developments in Kiribati, and it could consider countering Beijing's influence by signing a bilateral agreement similar to those recently signed with Tuvalu, Nauru and Papua New Guinea.

Events are moving in a promising direction. Kiribati was eventually included in the second round for Australia's PEV eligibility last August, while Kiribati and New Zealand signed a partnership agreement earlier this year. Australia should build on this momentum to limit Chinese influence with the support of other like-minded states.

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Demonstrating commitment and reducing risk: a British SSN heads to Australia

Richard Gray



Image: Andrew Linnett/British Ministry of Defence.

The imminent visit to Perth of a British nuclear attack submarine (SSN) clearly demonstrates Britain's commitment to AUKUS, going ahead despite the Royal Navy's current challenges in deploying its SSNs. The visit is also a reminder of the benefits to all three members of the security partnership.

While concerns have been raised about Britain's capacity to carry its burden in the submarine program, its involvement is not the riskiest aspect of Australia's acquisition plan. The largest risks are closer to home.

The submarine hasn't been officially identified but can be assumed to be HMS *Anson*, reportedly the only British SSN available for deployment. One of six completed Astute-class submarines, *Anson* should arrive at HMAS Stirling, a naval base just south of Perth, within a few weeks.

The visit is an early step on the Optimal Pathway under AUKUS Pillar One, the part of the security partnership that deals with the construction and delivery of nuclear submarines, and it will fulfil a commitment that the British government gave last year for such a visit in 2026.

Anson will likely undergo a maintenance period at Stirling, as USS *Vermont*, a Virginia-class SSN, did in November. The Optimal Pathway programmed these and earlier visits to help build up Stirling as a permanent operating base for British and US SSNs beginning in 2027.

This presence will be known as Submarine Rotational Force – West (SRF-W). Its main purpose is to give Australia operating and maintenance expertise with Virginias, some of which are intended to be in Australian service from the early 2030s, and with Astutes, from which the following SSN-AUKUS design will be evolved. It is scheduled to begin equipping the Royal Australian Navy in the early 2040s.

When SRF-W is fully operational, allied and Australian personnel will develop the maintenance and support capabilities ashore, and Australian sailors will deploy in increasing numbers on US and British nuclear submarines to develop operational expertise. All three nations already exchange personnel on SSNs, so RAN officers and sailors and US counterparts are almost certainly members of *Anson's* crew.

The RN and USN also gain benefits from SRF-W, especially an ability to support operations at a strategically important location, even though this is not the deployment plan's main purpose. Their submarines assigned to this side of the world won't need to go home for supplies, crew rotations and deeper maintenance, so they can spend more time on Indo-Pacific patrols.

In addition, SSN-support facilities at Stirling and at shipyards in nearby Henderson when complete will be among the most modern such facilities available. They'll offer submarine training facilities (including for submarine escape), nuclear-capable industrial capacity and dedicated nearby exercise areas. In particular, the Western Australian Exercise Area and the adjacent Lancelin Defence Training Area allow for integrated exercises with multiple platforms and capabilities, creating realistic and instrumented training opportunities.

The enduring presence of SSNs could also afford more chances for close collaboration on developing capabilities under Pillar Two of AUKUS, the partnership's research and development and technology-sharing component. Indeed, the visiting British SSN is an opportunity to support work in the undersea-warfare stream of Pillar Two. This would build on [operational testing](#) of AI-enhanced capabilities on P-8A Poseidons and [underwater autonomous systems communications](#) during last year's Talisman Sabre exercise.

Sending *Anson* to Australia has nonetheless attracted controversy in Britain, with critics pointing to the low availability of British SSNs and doubting that SRF-W and AUKUS should have priority over NATO and Atlantic security. The British government [says](#) that the risk is manageable and that its commitment to Australia and AUKUS will bring long-term benefits. This position is consistent with the 2025 Strategic Defence Review's principle that 'NATO first' doesn't mean 'NATO only'.

Strategic benefits of SRF-W for Britain beyond AUKUS include supporting any British contribution to the defence of Taiwan or participating in another Indo-Pacific security contingency. This includes being able to put at risk elements of Russia's Pacific Fleet, Eastern Military District and their broader Indo-Pacific military presence. The ability to impose costs on Russia in the northern and western Pacific helps deterrence in Europe. And a capacity to send SSNs to the Indian Ocean complicates Chinese calculations.

Britain's involvement in AUKUS recently attracted further criticism in Australia, based on the comments of retired Rear Admiral Philip Mathias, a former director of nuclear policy at Britain's Ministry of Defence. Mathias says future British capacity constraints, centred on a shortfall in skills and industrial investment, means there is a

high probability the British element of AUKUS will fail. While the issues he identifies are real, they are being [addressed](#), not least with Australian financial contributions to British industrial capacity.

It's worth emphasising that, among Australia's risks in Pillar One, Britain's involvement is not the highest.

For Britain, the program will and must provide the successors to the Astutes. The country has been in the business of building SSNs since 1959 and intends to stay in it. Indeed, its Strategic Defence Review called for a fleet of up to 12 SSNs (up from the previous plan for seven). This could prove to be too ambitious, and the number of boats or their delivery times could change. But there can be little doubt that Britain will build an SSN class to replace the Astutes, regardless of AUKUS.

Rather, Australia's greater Pillar One risks are with its own capacity and perhaps even its perseverance. It is to build its own SSN-AUKUS boats but has no experience in building nuclear submarines. The challenge will be only partly mitigated by using a British design and major technological inputs from the US and Britain, including complete reactors from Rolls-Royce. Yes, Britain needs to ramp up its nuclear submarine industry, but Australia doesn't have one; it's having to start from zero.

Anson's visit is part of the plan to reduce such risks. It is, admittedly, a relatively small part of the Pillar One effort, but it brings other benefits for both Britain and Australia and shows London honouring its commitments even when doing so looks inconvenient from an Atlantic perspective. This demonstrates in a practical way Britain's commitment to designing and building the SSN-AUKUS class. From an Australian perspective, whatever else is happening in AUKUS, this is something we should be happy about.

This article is part of a series about the Australia-UK strategic partnership. The British High Commission, Canberra, is supporting publication of the series, but the authors are responsible for the content.

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The EU has much to offer. Australia should deepen partnership with it

Eric Frécon and Fitriani

The European Union has institutional capacity, regulatory power and operational experience that can support Australian priorities in the Indo-Pacific. Canberra should not miss the chance to work more closely with it.

Globalisation, networked infrastructure and hybrid threats are rapidly dissolving the separation between the European and Indo-Pacific theatres. Russia's invasion of Ukraine, China's expanding strategic alignment with Moscow, and the growing use of cyber operations, economic coercion and foreign information

manipulation all demonstrate that today's security challenges operate across regions simultaneously.

Australia's 2024 [National Defence Strategy](#) recognises this, emphasising resilience, preparedness and partnerships to counter grey zone pressure. Given its experience dealing with the Russian threat, the EU could be a useful partner in Australia's pursuit of those priorities.

To do so, Australian policy-makers will need to look beyond narratives of European decline and assess the bloc's [actual](#) capabilities.

A wave of [online](#) criticism aimed at France and, by extension, the EU has not helped the bloc's reputation as a strategic security partner, portraying it as distracted by its own politics. France's experience has shown how information dynamics can distort strategic judgment. Paris has been targeted across multiple domains, including [beef](#) import negotiations, [defence industrial cooperation](#) and even cultural and sports, including the [Winter Olympics](#). By undermining the credibility of a key actor (France), hostile narratives seek to weaken confidence in the broader institutional framework it represents (the EU).

Australian policy should not be shaped by digital noise but grounded in strategic reality. As such, strengthening strategic ties with Brussels remains firmly in Australia's interests.

By any practical measure, the EU remains a heavyweight. Together, its members offer one of the world's largest economies, with a [GDP](#) larger than China's and with 450 million consumers, more than the United States'. More importantly, it has shown an ability to act collectively in [response](#) to geopolitical crises. Since 2022, the EU and its member states, working in conjunction with NATO allies, have [sustained](#) military, financial and intelligence support for Ukraine on a scale that surprised many [observers](#).

The EU also wields influence as a global norms-setter in an increasingly deregulated world order. Instruments such as the [Digital Services Act](#) and the [Digital Markets Act](#) shape how technology risks are managed worldwide. Through platforms such as the Munich Security Conference, European leaders have also been unafraid to warn the world about emerging dangers. At this year's conference, for example, French President [Emmanuel Macron's](#) and German Chancellor [Friedrich Merz's](#) cautioned about China's support for Russia.

Australian Defence Minister Richard Marles's engagement with Germany and Belgium in [February](#) reflects Canberra's recognition of Europe's strategic relevance. As part of the [coalition of the willing](#) supporting Ukraine, and with its multicultural population including those of European background, Australia has recognised that European security affects Australia. The National Defence Strategy notes that conflict in Europe carries [implications](#) for the Indo-Pacific. Instability in Europe is affecting global supply chains, energy markets, sanctions regimes and military resource allocation. Practical cooperation with Brussels, supported by shared views on multilateralism and the rules-based order therefore contributes to Australia's own security and stability.

Several avenues offer [mutually beneficial](#) opportunities for deeper cooperation. The first is countering foreign information manipulation and interference. The EU has formulated a mature [toolbox](#) for situational awareness, capacity building and response. The issue aligns closely with Australia's efforts to counter [disinformation](#) and [foreign interference](#).

Second, joint research offers significant potential. Since late last year, Australia has been exploring access to [Horizon Europe](#) to tap into the A\$170 billion fund pool for international science and innovation collaboration. This is to further the almost [two-decade](#) Australia–EU partnership, especially in [Copernicus](#), the Earth observation component of the EU space program for drought monitoring, flood forecasting and agriculture.

Lastly, collaboration could support regions of interest to both parties. Since 2020, the EU has implemented initiatives that may benefit Australia by sharing experience in regions of interest to Canberra. The EU-funded [Enhancing security cooperation in and with Asia](#) and the [Critical Maritime Routes](#), which is bundled with the Indo-Pacific Regional Information Sharing [platform](#), would benefit Australia's outreach and its desire for security and stability. Collaboration with the EU also means that Canberra does not have to carry the burden of regional engagement alone.

For example, an EU initiative on countering hybrid threats in Indo-Pacific implemented by [ASPI](#) seeks to promote inter-regional cooperation and explore options for future response mechanisms. Additionally, for building strategic resilience, EU members with [overseas](#) territories in the region would support Australia in up-lifting Pacific capability.

Negotiation with a region having multiple interests may take time but the EU offers regulatory leadership, technological collaboration, intelligence coordination and a growing willingness to project strategic influence beyond its neighbourhood. These are assets Australia should be leveraging.

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Something else for Australia to consider: Russian nuclear subs in the Pacific

Carl Janz



Image: Royal Navy.

Strategists in Canberra should factor in the plausible risk of Russian participation in a Western Pacific conflict, especially action by Russian submarines.

Russia has modernised its Pacific submarines and has a clear reason for using them: increasingly dependent on China economically and strategically, it could not afford to see China fail in an attempt at subjugating Taiwan. If China invades Taiwan, Russia may well act, particularly by complicating Japan's attempts to come to Taiwan's aid.

As Australia's relationship with Japan goes from strength to strength, Western sanctions have isolated Russia from once critical European trade, forcing it to rely on trade with Indo-Pacific states, particularly China. China is not only Russia's largest export market but is also the main external state sponsor of Russia's war in Ukraine, providing economic, diplomatic and technological support. A Western blockade of China in a conflict would both weaken Russia's main patron and functionally cut Russia off from trade with the entire Eurasian continent when coupled with existing sanctions.

If a Chinese invasion of Taiwan were to fail, Russia would be in a highly vulnerable international position, with its attempts to upend the liberal international order thwarted and its European ambitions untenable. Therefore, one cannot assume that Russian support for a Chinese invasion of Taiwan would be merely tacit, as Chinese support has been for Russia in Ukraine.

Seemingly recognising its position, Russia has undertaken a campaign of rapid naval modernisation in the Pacific, particularly regarding its fleet of advanced nuclear submarines. Indeed, its Pacific nuclear submarine force rivals China's in size and sophistication. Russia has been systematically replacing its ageing Soviet-era submarines, with 13 new submarines provided to the Pacific Fleet between 2013 and March 2025, eight of them nuclear powered.

This has continued largely unhindered by the war in Ukraine. Russia has around 25 submarines in the Pacific. Twelve are nuclear powered, though five of those are ballistic missile submarines,

which carry part of Russia's strategic nuclear deterrent and probably wouldn't have a combat role in a Western Pacific war.

Russia's nuclear submarines are among the most advanced in the world, leading China to seek Russian help in developing its own nuclear submarines, of which it currently operates around 14 – again, including ballistic-missile boats. Although China's rate of nuclear submarine production far outpaces Russia's, for the next few years Russian military support in the Pacific would be about half their combined nuclear submarine presence. Further, Russia's submarines are concentrated in a region of the North Pacific that's relatively small compared with China's larger area of responsibility, maximising Russian potency in the Northwest Pacific theatre and potentially freeing China to focus its forces elsewhere.

It is not surprising then that Russia's joint exercises with the Chinese navy have increased dramatically in frequency, scale and aggression, particularly in the Sea of Japan. Importantly, Japan and Russia are in an ongoing territorial dispute over the Kuril Islands. In September 2024, the Japanese air force scrambled several fighters and fired flares at a Russian plane that had violated Japan's northern airspace while China and Russia conducted joint naval exercises in the Sea of Japan. In August 2025, Russia and China conducted their first joint submarine patrol, again in the Sea of Japan. Actions such as these have made some in Tokyo nervous and could have significant strategic consequences, given that Japan is home to the United States' Seventh Fleet – the US's largest forward-deployed fleet, which would be crucial in responding to a Chinese attack on Taiwan.

With its Pacific fleet, Russia seeks to complicate the strategic calculus of US allies in North Asia, such as Japan and South Korea, in a Taiwan invasion scenario by threatening to hinder efforts to come to Taiwan's aid. Russia's highly concentrated fleet of quiet nuclear submarines could cut Japanese and South Korean undersea cables in ways that would prove more difficult for China's currently noisier submarines. Russia's advanced missile strike capabilities constitute a further threat. Missiles launched from the Russian-controlled parts of the Sea of Japan or the Sea of Okhotsk off Japan's northern coast would give the Japanese much less time to respond than those coming from closer to China. A German defence strategy document issued on 22 April envisions a scenario in which the Russian Pacific Fleet is used to tie up US forces, thereby complicating US deployments to Europe to resist a simultaneous Russian invasion of the Baltic states.

Russia's participation in a Pacific conflict is not guaranteed, and its European interests may well take precedence. However, Russia has developed the impetus and the means to assist China militarily in the Pacific by complicating the strategic planning of key Australian and US partners. As Australia's relationship with Japan deepens, Japan has arguably become Australia's closest regional defence partner. So Russian submarines need to become a factor in Australian defence planning.

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Part Three: Taiwan

Taiwan matters. Australia needs to understand why

Joe Keary, Nathan Attrill, Marc Ablong and Mark Harrison



Image: Nathan Attrill/ASPI.

When Australians think about Taiwan, the focus is often narrow: a distant sovereignty dispute in the Taiwan Strait, or a potential flashpoint between China and the United States. This framing understates the scale of what is at stake.

Taiwan is not a peripheral issue. It sits at the intersection of global trade, advanced technology, democratic values and regional security. What happens there will shape Australia's prosperity, security and way of life for decades.

That is the central argument of ASPI's new report, *Taiwan Matters*. The report makes a clear case: a crisis over Taiwan would not be a distant geopolitical event. It would be a systemic shock felt in Australian households, businesses and institutions within days.

The starting point is Taiwan's global significance. Taiwan lies astride one of the world's busiest maritime corridors, linking Northeast Asia with global markets. A disruption to shipping through the Taiwan Strait would ripple through supply chains almost immediately, driving up costs, delaying goods and creating shortages across industries.

Even more important is Taiwan's role in advanced technology. Its semiconductor industry, led by firms such as TSMC, produces the majority of the world's most advanced chips. These underpin modern life, from smartphones and vehicles to medical devices, artificial intelligence systems and defence equipment. Serious disruption to Taiwanese chip production would cascade across the global economy, halting manufacturing lines and constraining technological development.

The report highlights that Taiwan's economic weight is not just about exports. It is deeply embedded in global supply chains as both a supplier and a customer. Major economies, such as the US, China, Japan and Australia, depend on Taiwanese inputs to

sustain their own industries. This interdependence means that any crisis would be amplified across multiple sectors simultaneously, turning a regional contingency into a global economic shock.

Taiwan's importance goes beyond economics. As a vibrant democracy of 23 million people, it represents a powerful counterpoint to authoritarian narratives in the region. This makes Taiwan symbolically important in the contest over the future of the international order.

The report also explores a less commonly discussed idea: Taiwan as a *strategic sponge*. As long as Taiwan remains separate from China, it absorbs much of Beijing's political, military and diplomatic attention, constraining China's ability to project power elsewhere. If Taiwan were annexed, that constraint would diminish, potentially freeing up Chinese resources for other theatres, from the South China Sea to the wider Indo-Pacific.

The consequences of a crisis would be immediate and severe. Economic modelling cited in the report suggests that even a limited disruption, such as a blockade, could significantly reduce global economic output. A full-scale conflict could trigger losses exceeding the global financial crisis and the Covid-19 pandemic.

For Australia, the impacts would be direct. Our economy is deeply tied to Indo-Pacific trade. Much of Australia's trade flows through or is connected to Northeast Asia. A disruption in the Taiwan Strait would affect export demand, shipping routes and financial stability. Commodity exports could fall sharply, while the cost of imports, from electronics to machinery, would rise.

Supply chains would be hit hard. Australian industries, including defence, rely on advanced components that are made in or pass through Taiwan. A crisis would expose the fragility of these arrangements, leading to shortages, delays and increased costs, affecting everything from industrial production to everyday consumer goods.

The societal impacts would be just as significant. A major crisis would likely be accompanied by cyber operations and information campaigns targeting Australian institutions and public opinion. At the same time, communities with ties to Taiwan and China would feel the strain directly, through concern for family members, disrupted connections and the risk of social tension.

The report details strategic implications. A forcible change to Taiwan's status would fundamentally alter the balance of power in the Indo-Pacific. It would weaken confidence in US security guarantees, put pressure on regional states to accommodate Beijing and reshape maritime dynamics across the Western Pacific. For Australia, this would narrow strategic options and introduce a level of insecurity.

Canberra would face hard choices. Expectations from allies, particularly the US, would likely be high, ranging from access to bases and logistical support, even potentially requests for military

involvement. Meanwhile, risks of escalation, including retaliation against Australian interests, would be real.

The report does not argue that conflict is inevitable. It emphasises prevention, deterrence and resilience, but makes clear these require a much deeper level of understanding across government, industry and society.

Taiwan Matters ultimately moves the debate beyond abstract strategy and into concrete consequences. It shows how a crisis would unfold across economic, military, political and social domains and why those effects would be felt far beyond the Taiwan Strait.

For Australia, the message is clear. Taiwan is not a distant issue to be managed at the margins of policy. It is a central test of the Indo-Pacific order and a key determinant of our future security and prosperity. Raising awareness of this reality is not alarmism. It is preparedness. The alternative, treating Taiwan as someone else's problem, risks a nasty strategic surprise.

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The Taiwan scenarios 1: Subversion, quarantine, blockade, invasion

Joe Keary and Nathan Attrill



Image: Nathan Attrill/ASPI generated via ChatGPT.

ASPI has wargamed President Xi Jinping's options for subjugating Taiwan. We tried four scenarios, the details of which will be presented in this and three more daily articles this week.

Xi likely favours a path to unification in which Taiwan is gradually worn down by sustained and intensifying Chinese coercion. However, if he sought to accelerate this process, he would likely favour actions that remained below the threshold of war but still compelled Taiwan to cede aspects of its sovereignty. This could include the China Coast Guard enforcing a quarantine of Taiwan—asserting a right to block certain imports and exports—or covert acts of subversion intended to trigger a broader crisis and increase pressure on Taipei.

While more overt options, such as a full-scale invasion or naval blockade, remain possible, they carry significant risks that could threaten the Chinese Communist Party's hold on power. As long as Xi views these risks as credible, actions that could rapidly escalate to war are unlikely to be his preferred course.

Xi has made his intentions regarding Taiwan clear. At the 20th Party Congress, he reiterated that, while peaceful unification was his preferred approach, China still reserved the right to use force if necessary. Although he has set no specific deadline, he warned in 2013 that the Taiwan issue 'should not be passed down generation after generation.' In his recent speeches, Xi continues to assert that unification is inevitable, signaling his determination to bring Taiwan under Beijing's control sooner rather than later.

Later articles in this series discuss [warning signs](#) of a crisis, the [initial events](#) and [later consequences](#). In this article we begin with outlines of the four scenarios we wargamed:

Subversion—The shadow war

During the Spanish Civil War, Nationalist forces advancing on cities such as Madrid relied on what was called a fifth column, a covert network of sympathisers within Republican-held territory who worked to undermine the government from within. Could a similar scenario unfold in Taiwan? According to a former Taiwanese military intelligence director, more than 5,000 people are operating in Taiwan on behalf of the Chinese government.

The activation of a fifth column to incite civil unrest across Taiwan could be highly effective. It could debilitate Taipei's ability to govern and maintain stability, potentially by exploiting existing fault lines in Taiwanese politics. This could provide Beijing with a pretext to deploy what it might call stabilisation forces. A fifth column could plausibly target critical infrastructure, disrupting power grids, railways, air traffic control and water treatment facilities. Bomb threats, arson attacks and incitement of riots would further destabilise society. Combined with Beijing's formidable cyber capabilities, China could sow chaos and division while publicly denying any involvement. This would give Beijing the opportunity to shape the narrative, spread propaganda and justify intervention as a response to what it could claim is an internal matter.

Quarantine—The lawfare veil

As China increasingly integrates its coast guard into military exercises around Taiwan, the prospect of a quarantine scenario has gained growing attention. In such a scenario, Beijing could manufacture a crisis to justify the imposition of a quarantine around the island. For example, it might claim that all inbound and outbound shipments require inspection due to national security concerns, such as alleged arms transfers or biological threats.

With more than 150 large ocean-going vessels, the China Coast Guard is well-equipped to enforce such a quarantine. Likely operating in coordination with the navy, which would stand off at a distance, the coast guard could try to divert commercial shipping and apply great pressure on Taiwan's government. This would likely be accompanied by cyberattacks and disinformation

campaigns designed to sow confusion, disrupt governance and further isolate Taiwan. If external support were insufficient or slow to materialise, the cumulative pressure could force Taipei to the negotiating table on Beijing's terms.

Blockade—The siege

Since 2022, China's military has frequently conducted large exercises around Taiwan. In the 2022 drills, it took four days for the armed forces to encircle the island in one such exercise. By 2023, they achieved this in just two days. In 2024, Chinese warships could complete a full maritime encirclement of Taiwan within 24 hours.

A blockade would differ from a quarantine by being absolute, forbidding movement of all ships to and from Taiwan, not just those carrying supposed contraband, and air movements, too.

China would likely aim to isolate Taiwan by deploying its navy to close off key ports, using its air force to disrupt air traffic, and positioning aircraft carriers, submarines and missile systems to deter foreign intervention. Undersea internet cables could be cut, cyberattacks launched to cripple communications and critical infrastructure, and on-island operatives, such as special forces or fifth-column actors, could carry out acts of sabotage to intensify pressure on Taipei. Beijing might manufacture a pretext to justify such actions.

But regardless of the reasoning, a blockade is generally regarded as an act of war and carries real risk of military intervention from the United States and others.

Invasion—A war of no winners

Xi has directed his armed forces to be ready to invade Taiwan by 2027, according to the US Central Intelligence Agency. This does not necessarily mean China will launch an invasion that year but, rather, that the military should be capable of performing one then if ordered. Unlike Russia's invasion of Ukraine, however, China cannot simply roll over a land border. Taiwan is separated from the mainland by the Taiwan Strait, which is 130 kilometres wide at its narrowest point.

China could conceal preparations for an invasion by framing it as a large-scale joint exercise. To date, these drills have involved missile units, marines and naval forces, strategic bombers and fighter jets, as well as cyber and logistic units. Should Xi give the order, the opening phase would be a massive missile barrage targeting Taiwan's airbases, radar stations, naval ports and command centres. Simultaneously, China's air force would launch waves of fighters, drones and bombers to suppress Taiwan's air defences, while amphibious and airborne assault forces began their push from China's eastern seaboard.

The early days of such a conflict would likely see intense, brutal combat as Taiwan's military fights to repel the assault. The human and strategic costs would be enormous for both sides. If the US decided to intervene, the world could quickly find itself on the brink of a global conflict.

Beijing's pros and cons

Scenario	Pros	Cons
Subversion	Enables deniable interference below the threshold of war	Risk of exposure could provoke backlash and harden Taiwanese resolve
	Can weaken Taiwan's internal stability and public confidence	May not lead to meaningful or timely political concessions
Quarantine	Allows coercion under the guise of legal enforcement	High potential for diplomatic condemnation and economic retaliation
	Avoids direct military confrontation initially	May trigger third-party maritime challenges
Blockade	Demonstrates China's overwhelming military power	Generally considered an act of war, raising risk of US intervention
	May pressure Taiwan to negotiate without ground invasion	Significant global economic and reputational costs
Invasion	Only scenario that could likely deliver immediate unification	Extremely high military and civilian casualties with uncertain outcome
	If successful, validates military capability across all domains	Likelihood of US and allied military response, risking global conflict

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The Taiwan scenarios 2: Warning signs

Joe Keary and Nathan Attrill

At first, it may not be easy to see what's afoot. The difference between China's routine coercion of Taiwan and early signs of serious escalation to take control of the island may not be clear.

That will be the case whether China tried any of the four main choices it has for attempting to subjugate Taiwan—subversion, a quarantine, blockade or full-scale invasion. ASPI wargamed each on 10 June, with the findings outlined in this series of daily articles, including a description of the [scenarios](#) in the first. The next two will examine [opening events](#) and [longer-term results](#).

Some indicators and warnings would be observable before China fully launched its operation. Subtle shifts in its political messaging, military deployments, cyber activity, disinformation campaigns and overseas influence operations might all signal intent to act.

In all scenarios, the opening signs will likely include new rhetoric, possibly portraying Taiwan as having crossed a red line. A spike in cyberattacks and information operations, including information operations within China, designed to project and amplify those claims, would also be a likely sign common to all scenarios.

Beijing may then stage what appears to be a routine, large-scale exercise around the island, but with forces venturing beyond their usual training zones. Meanwhile, logistics elements, such as transport convoys, field hospitals, fuel depots and ammunition stores, would quietly amass near embarkation points, and reserve units may mobilise under cover of night.

When these indicators appear together, the risk that Beijing is preparing to act against Taiwan increases significantly. Warning

signs will then differ depending on what type of action Beijing is planning to take.

Subversion

In a subversion scenario, we may notice a sudden surge in disruptive incidents against Taiwan's critical infrastructure—such as failures in electricity supply, rail services, water treatment and air traffic control. Behind the scenes, China's covert operatives would be orchestrating these attacks, while its information campaigns would seek to undermine public confidence in Taipei. Social-media accounts might amplify rumours of governmental collapse or even mass defections among senior leaders. Any visible redeployment of Chinese military assets could be presented as humanitarian readiness, plausible cover for forces positioned to exploit the resulting chaos.

Quarantine

In a quarantine scenario, the first warning would likely come from Beijing's political rhetoric, with official statements possibly raising alarms about alleged biological threats or arms smuggling originating in Taiwan. The Chinese Communist Party's United Front apparatus would likely amplify these claims across diplomatic channels and sympathetic media, sowing doubt and pre-empting an international response. Meanwhile, a steady stream of China Coast Guard vessels would likely begin to concentrate around Taiwan's major southern ports under the guise of an exercise. At the same time, Chinese naval would likely position themselves at strategic chokepoints such as the Bashi Channel, north of the Philippines, and Miyako Strait, near Okinawa, quietly establishing the outer perimeter of a de facto quarantine zone. Aircraft would begin patrolling the same places.

Blockade

Unlike a quarantine, which China can present as a limited, legally justified measure, a blockade is generally regarded as an act of war. Beijing would almost certainly adopt more aggressive rhetoric, declaring that Taiwan had crossed a red line to legitimise its actions. The Chinese navy and coast guard would surge into positions east and west of the island, quietly forming the maritime perimeter of a blockade. At the same time, the air force would intensify operations in Taiwan's airspace, flying repeated incursions to probe defences and confuse early-warning systems with a multiplicity of targets. Behind the scenes, coordinated cyberattacks would target Taiwan's financial sector, media outlets, military networks and government systems, setting the stage for widespread digital disruption. Other elements of China's military, including missile units, submarines and aircraft carrier battle groups, would likely move to supporting positions, their presence serving both to deter third-party intervention and to reinforce the blockade's effect.

Invasion

An invasion would be China's most decisive form of escalation. Ahead of it, Beijing would likely intensify diplomatic pressure, possibly accusing Taipei of edging toward a unilateral declaration

of independence. Yet in the final days before an assault, Chinese leaders might go quiet to preserve surprise. Behind the scenes, coordinated cyberattacks would target Taiwan's power grids, communications and other critical infrastructure, while disinformation and psychological operations flooded Taiwanese media to sow confusion and fear.

What may initially appear to be a large-scale exercise could quickly evolve into full mobilisation. Amphibious assault ships, transport aircraft and missile units would move into forward positions under the guise of drills, while military flights surged around Taiwan. Carrier strike groups and submarines would deploy east and south of the island, and strategic forces may reposition nuclear-capable assets to deter foreign intervention. Perhaps the clearest sign of an impending invasion would be rapid movement of field hospitals, fuel convoys and engineering units to embarkation points. This would be an unmistakable signal that an assault force is readying for action.

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The Taiwan scenarios 3: Day zero

Joe Keary and Nathan Attrill

If China decides to dramatically accelerate unification with Taiwan—whether through subversion, quarantine, blockade or full-scale invasion—the first 24 hours will be pivotal. But they will hardly be the end. [Taiwan will fight back](#). Whatever course China takes, it won't be settling a dispute but creating an on-going crisis in the Indo-Pacific.

These are among the conclusions from ASPI wargaming of the scenarios in June. Two earlier articles in this daily series described the [scenarios](#) and the likely [warning signs](#) of impending Chinese action. The next will cover the longer-term results that could be expected.

Taiwan would not just collapse, capitulate or hand itself over. While it has been outpaced by the scale of China's military developments, it is more capable than many assume. From cyber defences and special forces to citizen resilience and political resolve, Taiwan's initial response capacity would be [significant](#). And it is precisely this preparedness, sharpened by decades of existential threat, that makes any Chinese escalation a high-risk gamble.

Each of China's four main options to force unification carries a different tempo, level of visibility and escalation risk. But a common thread of Taiwanese response runs through all four: tailored resilience, surprising readiness and firm refusal to surrender.

Subversion

In the subversion scenario, China's armed forces and intelligence operatives would attempt to disable Taiwan from within—crippling infrastructure, spreading disinformation, activating sleeper cells and launching false-flag attacks. The goal would be to create a

pretext for a so-called peacekeeping intervention under the guise of restoring order.

Yet this silent war would not catch Taiwan unaware. In the first 24 hours, its security services would almost certainly move quickly to arrest suspected saboteurs, harden critical sites, such as power stations and data centres, and activate cyber incident response teams. Special operations forces are trained to counter unconventional threats and would be deployed to protect strategic locations. Military units would shift to alert status quietly but decisively and national leaders would take to the airwaves and internet to reassure the public and demonstrate control.

Public resilience in such a scenario is often underestimated. Years of civic mobilisation, digital literacy campaigns and drills have prepared Taiwan's people to recognise disinformation, report anomalies and trust democratic institutions. Any expectation that chaos would break public morale instantly is wishful thinking in Beijing. The first day of China's operation to subvert Taiwan would not be easy for the Taiwanese—but the campaign would not be lost.

Quarantine

If Beijing attempts a quarantine—framing a partial blockade as 'customs enforcement' or 'public health protection'—its opening moves would be maritime. China Coast Guard vessels, backed by the armed forces at a distance, would swarm shipping lanes and begin inspecting merchant ships, possibly leading to minor collisions or a manufactured incident to spark a crisis.

Taiwan's initial reaction would be measured but firm. Mobile anti-ship and air-defence missile batteries would be repositioned, air patrols launched and warships deployed to shadow Chinese vessels. The Taiwanese coast guard would be authorised to intercept or monitor boardings. Taiwan would begin intensive briefings with partners, including the United States, Australia and Japan, presenting evidence of unlawful Chinese interference and requesting public statements of support.

Cyber operations would also intensify in these first hours. Beijing would push aggressive disinformation claiming Taiwanese aggression, while Taiwan's Ministry of Digital Affairs and civil society organisations would work rapidly to expose fakes and maintain confidence in the government's response. Importantly, Taiwan would not rise to provocation: it would hold the moral and legal high ground while preparing for escalation. Its ability to both challenge and contain grey-zone coercion without triggering broader conflict is central to its resilience.

Blockade

A full blockade is a far more overt act of war. China's warships would rapidly move to interdict shipping as it also denied airspace access and possibly jammed satellite communications while severing undersea internet cables. The first 24 hours would be critical: international shipping would steer clear of the Taiwan Strait and airlines would begin avoiding airspace around Taiwan.

The world would awaken to the most severe crisis in East Asia since the Korean War.

Taiwan, however, has trained for this. In the opening day, its navy would begin escorting civilian vessels where feasible. Surveillance drones and submarines would monitor Chinese movements. Combat aircraft would be dispersed, and fuel reserves would be rationed. Meanwhile, underground command centres would activate, and civilian infrastructure operators would initiate continuity protocols.

Taiwan's resilience in this scenario is rooted in distributed defence and planning. Critical nodes—data centres, communications stations, airstrips—are hardened, decentralised or both. Supplies are stocked. And military doctrine has evolved to ensure that even if external trade halts, the government and armed forces can operate independently for weeks. Any Chinese hope that Taiwan would be paralysed within hours of a blockade would not materialise.

Invasion

If China initiated a full-scale invasion, launching missiles and amphibious assaults, the stakes would rise dramatically. But, again, Taiwan would not simply roll over. In the first hour, Taiwan's air defence systems would be activated to intercept missile salvos. Fighter aircraft would scramble to repel Chinese incursions. Some airfields and military facilities would inevitably be damaged or destroyed, but dispersed basing, hardened shelters, and pre-planned contingencies would enable a continued defence. Naval units would move evasively to avoid destruction while engaging incoming targets with anti-ship missiles. Anti-landing defences—artillery, drones, sea mines—would slow Chinese progress on any beachheads.

Taipei would seek an immediate and coordinated response. Emergency broadcasts would go out. The president would declare full mobilisation. Civil defence protocols would be activated across cities, with shelters open and communication lines kept alive by a resilient mesh network and satellite backup systems. Taiwan's citizen-soldier structure—based on reservists and local defence brigades—would be mobilising in key districts.

Taiwan will resist

Taiwan's will to fight is rooted in a deep national identity and a growing understanding that surrender would mean the end of its democracy and way of life. Polls now show a [strong majority](#) of Taiwanese are willing to defend their country, particularly in the face of a violent assault. Understanding of Hong Kong's crushed autonomy has hardened public awareness. There is no illusion about what Chinese rule would mean.

Even if Chinese forces made it ashore, they would meet [not submission](#) but resistance. Occupation would be anything but swift. And any claim of 'liberation' would be crushed by the reality of a population seeking to defend its way of life.

Taiwan has steadily built a suite of layered defences. This includes hardened infrastructure and networked command systems that

allow for distributed resistance. Its digital hygiene and civil society capacity make it resilient in the face of cyber and psychological warfare. Its professional military and substantial reserve force are increasingly trained in *asymmetric tactics*.

For Beijing, the fantasy that Taiwan would fold in the first 24 hours is unlikely. The reality is likely to be far messier—and far more dangerous for the Chinese Communist Party. None of its four main choices for subjugating Taiwan is likely to end quickly or cleanly. All would be met with resistance.

Taiwan would not want to go quietly. For every scenario, the island has prepared itself to survive the first day and defy the odds—while shaping the outcome of the century’s most dangerous flashpoint.

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The Taiwan scenarios 4: The catastrophe

Joe Keary and Nathan Attrill

By any measure, China’s four main choices for forcing unification with Taiwan—subversion, quarantine, blockade, or invasion—would all have far-reaching consequences for Beijing and the wider Indo-Pacific. While the scenarios vary in intensity, they share outcomes: a breakdown in order in China, widespread economic harm and a shattering of regional peace.

The notion of Taiwan giving up without a fight is improbable to anyone who understands the history of its people. Escalating coercion against Taiwan carries risks that are not easy to assess for China. For major Indo-Pacific economies, such as Australia, Japan and the United States, the clear imperative must be to ensure none of these scenarios ever eventuates—through deterrence, collective effort and early action.

This is the last of four articles reporting the results of ASPI wargaming of the scenarios. The earlier articles described the *scenarios*, likely *warning signs* and the *initial events* we could expect.

Subversion

The lowest-intensity scenario, subversion, may appear surgical, designed to avoid open conflict. But the strategy could unravel even within the first week, especially as the international community challenged what would be Beijing’s obviously bogus story.

China would say it had to deploy a peacekeeping force for stabilisation; this would be framed as a police action rather than aggression. At first glance, this scenario is Beijing’s most plausible play: engineer unrest, install a puppet regime under the guise of a ‘Taiwan Autonomous Emergency Authority’ or some such, and claim peaceful unification without firing a shot. But even in this softest of scenarios, China is assured of blowback. Taiwan would resist Chinese military moves to seize airports, ports and

government leadership. Any sabotage would harden the resolve of Taiwan, which would call on security partners for assistance. Countries would be faced with the immediate choice of whether to place economic sanctions on China.

Quarantine

The next possible scenario is quarantine—a grey-zone tactic in which China would restrict Taiwan’s imports and exports under the pretence of law enforcement or customs checks. It’s not declared war, but it could lead to some minor military event that could lead to war. Within the first week, regional shipping routes would be disrupted, leading to longer transit times, increased costs and shipping delays. Airlines would not fly near the Taiwan Strait, insurance premiums would spike, and economies with deep exposure to China and Taiwan—such as those in Southeast Asia, as well as Australia, Korea and Japan—would begin to feel loss of markets and supply.

The world would understand that China was trying to achieve Taiwanese submission while staying below the threshold of war. While Beijing might seek to quickly normalise shipping if Taiwan agreed to a set of political demands, the economic shock would be felt globally. The Indo-Pacific’s most important sea lanes would become theatres of intimidation. And Beijing’s hopes of avoiding escalation would be dashed by mounting pressure for a coordinated regional response.

Blockade

If China instead chose blockade—general curtailment of exports from and imports to Taiwan—it would have chosen an act of war. By day seven, regional order would be under severe strain. Global container traffic (nearly half of the world’s container fleet flows through the strait) would face long delays and diversions. Taiwan’s semiconductor exports would stop cold, throwing global tech and manufacturing into crisis. Approximately *US\$565 billion* in Taiwanese value-added trade would be at high risk of disruption from a blockade.

Financial markets would nosedive. China itself would face a severe economic shock as supply chains broke and foreign investors fled. Even with no shots fired, Beijing would already be facing the prospect of international sanctions, a collapsing currency and growing domestic unrest. The longer the siege continued, the more likely a military clash with Taiwan—or with the United States and its allies.

Invasion

The invasion scenario is the most dangerous. Catastrophe would unfold quickly.

Within a week of launching missiles and amphibious assaults, China would be embroiled in the largest war in the region since 1945. Taiwan’s military would be fighting back in urban warfare. Civilian casualties would mount. Global news would be filled with images of burning ships and bombed cities.

Within hours, commercial shipping and air travel in the region would cease. Regional stock markets would likely close. A conflict in the Western Pacific over the Taiwan question could result in an estimated 25 percent GDP contraction in Asia. Oil shipments to East Asia would be diverted or halted.

And China would enter economic freefall. Foreign reserves could be frozen. If applied, sanctions would sever China's links to Western finance and critical technology. The likelihood of social unrest in China would rise. And, if the United States entered the fight, China would be at war with the world's most advanced militaries, and its hopes of a quick victory would disintegrate.

What ties these four scenarios together is how quickly they spiral beyond Beijing's control. China's doctrine on escalation management *overestimates* its ability to control conflict. It's reliance on academic doctrine and limited real-world crisis experience encourage overconfidence. The Chinese Communist Party may imagine that it can calibrate risk, strike surgically and intimidate Taiwan into submission. But by the end of week one, the regional and global consequences may already be uncontrollable. China's leaders might face a reality where, no matter the method, the cost of action has vastly outweighed any political reward. Instead of unification, they would have got global isolation, a broken economy and the prospect of military failure and a loss of legitimacy.

How Taiwan's partners can prevent these scenarios

First, deterrence must be visible, credible, and multilateral. Australia, Japan, the US and others must ensure that Beijing sees a united front, one that is willing to impose costs even in grey-zone scenarios like a quarantine. The development of *joint frameworks*, such as those proposed by former US assistant secretary of defense Ely Ratner, would facilitate deeper regional security integration. Combined military exercises by Taiwan's friends, coordinated scenario planning and real-time intelligence sharing should all be part of the playbook now—not after a crisis begins.

Second, economic resilience must be built now. If Beijing believes the region depends too much on its trade to respond meaningfully, it will be emboldened. Australia should continue diversifying supply chains away from exposure to China, particularly in such sectors as energy, rare earths and high tech.

Also, Taiwan must be treated as a partner, not a problem. Quiet but steady support—ranging from cybersecurity cooperation to training exchanges—strengthens deterrence without crossing Beijing's red lines. Publicly reinforcing Taiwan's role as a responsible stakeholder in the region helps challenge Beijing's propaganda and counters its attempts to isolate Taipei.

Finally, messaging matters. China must understand that no scenario, no matter how dressed up in lawfare or maritime euphemisms, would go completely unanswered. The clearer and earlier Taiwan's partners detail what is happening on the ground, as the US did just before Russia's 2022 full-scale invasion of Ukraine, and articulate the consequences of aggression, the more deterrence will hold. This requires unity, not just among

allies but within domestic politics. Beijing bets on Western division; coordinated clarity should be the response.

The world must convince China that the road to Taipei is lined with peril, not prizes. If Beijing acts, it faces the wrecking of its global standing. Preventing conflict is not Taiwan's burden alone. For countries like Australia, the task is clear: help raise the costs of aggression high enough that they never have to be paid.

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Pressure points: managing risk and escalation in the Taiwan Strait

Joe Keary



Image: Wikimedia Commons.

The Economist called Taiwan 'the most dangerous place on earth' in 2021. For the island's 23 million people, that danger isn't abstract; it's a daily reality shaped by the constant shadow of conflict. Across the Taiwan Strait, China's leaders see the island not as a neighbour but as unfinished business, a critical piece of President Xi Jinping's vision of national rejuvenation. As Chinese coercion increases and the status quo across the Strait deteriorates, countries in the Indo-Pacific need to do more to maintain balance and deter conflict.

The second instalment of ASPI's *Pressure Points* series, released today, covers Taiwan and the Taiwan Strait, Asia's most volatile flashpoint. Where the first part of *Pressure Points* examined China's air and maritime coercion within the first island chain, this instalment focuses on China's coercion across the Taiwan Strait. It examines how Beijing frames its claim to Taiwan, the coercive tools it increasingly wields to enforce that claim, how Taipei is responding to mounting pressure and how other governments are managing the growing risk of confrontation. It also details potential scenarios that Xi may pursue to forcibly unify Taiwan. The result is a concise and interactive account of one of the Indo-Pacific's most consequential flashpoints.

The Chinese Communist Party has never governed Taiwan. But since 1949, the party has consistently upheld its 'One China' principle. Under Xi, such claims have become more assertive

and nationalistic. Xi's framing of Taiwan as central to the 'great rejuvenation of the Chinese nation' has fused what was once a territorial question with the fate of the party itself, an ideological escalation that narrows room for compromise.

Beijing's coercion of Taiwan isn't new, but under Xi it has intensified dramatically. Military pressure that once flared episodically has become constant. Chinese aircraft and warships now operate around the island with such regularity that what once constituted a crisis has been normalised. These incursions are carefully calibrated: provocative enough to signal dominance, restrained enough to avoid triggering outright conflict. The cumulative effect is to shrink Taiwan's operating space, desensitise the region to Chinese military activity and normalise coercion as the baseline of cross-Strait relations.

China's military has invested heavily in advanced capabilities designed to neutralise Taiwan's defences and deter outside intervention, particularly from the United States. This rapidly modernising force comprises hypersonic missiles, integrated air defences, autonomous and undersea systems, and amphibious lift capacity. Each Chinese exercise and patrol refines operational readiness and tests the responses of Taiwan and its regional countries.

For Taiwan, this pressure is omnipresent. Yet most citizens continue their lives with stoic normalcy. Beneath that resilience, public sentiment is evolving. While many Taiwanese still favour maintaining the status quo, support for greater recognition of Taiwan's sovereignty and international identity is growing. Few Taiwanese wish for formal independence if it risks war, but fewer still identify with the mainland or share the CCP's narrative.

Taiwan's defence posture reflects this complexity. Since 1949, Taiwanese leaders have repeatedly shifted strategy, alternating between conventional deterrence, high-end modernisation and, more recently, asymmetric defence built on mobility and resilience. President Lai Ching-te has sought to weave these strands into a whole-of-society strategy that strengthens deterrence, manages tensions and enhances national resilience. He faces an unenviable task: to prepare for war without provoking it, and to maintain deterrence without eroding domestic cohesion.

Taiwan today is arguably more outmatched militarily by China than at any time in modern history, yet it is also determined to endure. With finite resources, Taipei is investing in survivability: hardening infrastructure, dispersing forces and fostering whole-of-society readiness that extends beyond the military.

For other countries, supporting Taiwan's defence and security presents a delicate balancing act: too little support risks leaving Taiwan exposed to coercion and weakens efforts to deter Beijing from engaging in a catastrophic war, yet too much support risks provoking Beijing. Many governments have thus chosen carefully calibrated measures. The logic is clear: while overt confrontation with Beijing would be disastrous, allowing China to advance its objectives unopposed poses an even greater threat to regional stability. The status quo, once seen as a buffer against conflict,

is no longer stable. It is dynamic and eroding under the weight of China's growing military presence and unrelenting exercises.

Taiwan's security depends on a broader framework that integrates defence, diplomacy and resilience. A whole-of-society approach, with support from likeminded partners, offers the best chance of sustaining stability while managing escalation. That framework need not be purely military. People-to-people exchanges, technology partnerships, shared resilience training and diplomatic coordination can reinforce Taiwan's ability to withstand pressure without crossing Beijing's red lines. Such an approach recognises that Taiwan's strength lies not only in its asymmetric capabilities but in its democratic vibrancy, its technological prowess, and its web of partnerships.

The contest over Taiwan is not merely territorial; it is a struggle between coercion and resilience, between an authoritarian vision of unity and a democratic determination to endure. For the CCP, Taiwan represents the unfinished chapter of China's rise. For the people of Taiwan, it is home, a vibrant, self-governing society determined to chart its own course. The Indo-Pacific's future hinges on which vision prevails.

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Part Four: Capabilities

Abandoning AUKUS Pillar One would gravely damage the US alliance

Malcolm Davis



Image: Victoria/US Navy.

An [article](#) in *The Strategist* by Mike Keating and Jon Stanford on 22 August calling for abandoning the nuclear-submarine element of AUKUS is unconvincing. Most fundamentally, the authors, while arguing that the agreement aligns Australia too closely with US strategy, propose a solution that would gravely damage the alliance.

Their target is AUKUS Pillar One, which envisages Australia acquiring nuclear attack submarines (SSNs) of the Virginia class in the 2030s and the SSN-AUKUS class in the 2040s and 2050s. If we followed their advice, Australia would indefinitely have no credible submarine capability. Part of their proposed alternative, buying 12 SSNs of the French Suffren class, is impracticable: there's no reason assume that France would take another risk on a submarine deal with Australia. It has been burned once by Australia, when the government decided in 2021 to cancel construction of submarines to a French diesel design. Once bitten; twice shy. Worse, if Australia walked away from AUKUS Pillar One, France would see yet another failure by Canberra to stick with a commitment.

Also, Australia's international credibility as a defence partner would be destroyed, and the US-Australia strategic alliance would suffer probable irreparable damage. It could very well collapse. Nor would Japan, India, Indonesia or any other regional power have strong reason to trust us again.

These outcomes would all be well received in Beijing and leave Australia's interests much more vulnerable to coercion by China.

The authors say AUKUS was intended by the administration of president Joe Biden as 'maintaining US primacy ... by containing China to the first island chain, which would require

sustaining the autonomy of Taiwan.' This is incorrect. AUKUS is a technology-sharing agreement to provide nuclear powered but conventionally armed submarines under the Pillar One [Optimal Pathway](#), and, with [Pillar Two](#) (not a subject of the Keating and Stanford article), cooperation in several key technology priority areas. Both pillars are designed to counter the growing Chinese military edge in many of these technology areas and respond to a recognised assessment that Australia needs SSNs to meet its long-term maritime security requirements in a highly contested operational environment. This includes, as Jennifer Parker [notes](#), defending vital sea lanes of communication, upon which this nation's economy and society depend on to function.

AUKUS seeks to contribute to deterring war and preserving the security interests of the partners through maintaining an effective balance of power against a rising and would-be hegemonic China. AUKUS contributes to US-led integrated deterrence alongside Britain and Australia and in Pillar Two brings the possibility of Japan, South Korea, Canada and New Zealand also contributing on a project-by-project basis. At its most fundamental level, integrated deterrence is [designed](#) to develop closer defence cooperation between the United States and its allies across the Indo-Pacific. It is not about just protecting the US's interests, as the authors imply. Integrated deterrence reinforces the US's extended deterrence security guarantees to its key partners, including Japan, South Korea, the Philippines and Australia, which [include](#) implied extended nuclear-deterrence guarantees. It's the importance of deterrence that is also one of the reasons why the US maintains forward bases, to reinforce those guarantees with forward presence and posture and, in doing so, reduce the risk of war, be it across the Taiwan Strait, in the South China Sea, or on the Korean Peninsula. The same can be said for US military forces operating from Australia.

The authors attack integrated deterrence, claiming it is an erosion of Australian sovereignty. Certainly, the US would see importance in one of its most important strategic allies, Australia, being willing to help support US forces in what would be their hour of greatest need if China tried to subjugate Taiwan. There would be very [good reasons](#) for Australia to do so, but the decision for commitment of military forces is for Canberra to decide.

The Australian government does need to confront head-on the issue of how it would respond to a Chinese blockade or invasion to forcibly impose unification on a free and democratic Taiwan. It is nonsensical for Australia to not be fully involved with the US in advanced planning on how the Australian Defence Force *might* play a role in supporting its most important ally at its time of greatest need, as well as with other key allies, such as Japan, South Korea and the Philippines, that would likely be involved in such a war. Such planning would have to include how Australia would employ its SSNs and also a much broader range of military capabilities, basing and logistical support.

This should not be seen as a ‘loss of sovereignty’. It is incumbent upon the Australian government to be open and frank with the Australian people about the challenge posed by China, as [argued](#) by Alex Bristow, and why it is important for Australia to stand alongside its allies in countering aggression—much as we did during the World War II, as [explained](#) by Michael Pezzullo.

Finally, the authors argue that Australia ‘should extend further into our strategic policy what James Curran calls the “Australian straddle between America and China.” It’s a bit optimistic to assume things will be business as usual, having turned our back on our most vital ally. Suggestions from the authors that somehow elements of the US-Australia alliance would be maintained after Australia withdrew from Pillar One of AUKUS ignore the probability that the alliance would collapse, and with it, so would the foundation for Australia’s defence and security.

The outcome of the authors’ proposed policy would be Australia on its own. Notions of 12 French SSNs and a continued US commitment after ending AUKUS are fanciful. The recent debate over increasing defence spending to 3.5 percent of GDP would look quaint: get ready for 6 or 7 percent to ensure true defence self-reliance without US assistance. And we might need to seriously consider [nuclear weapons](#) if we wanted true self-reliance absent US extended nuclear deterrence.

There would, admittedly, be a cheap option: simply accommodating Beijing’s interests at our expense in terms of national security and vital national interests.

Sticking with AUKUS Pillar One sounds much better.

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Hedging our bets: a Japanese option for managing risk in the AUKUS Optimal Pathway

Richard Gray and Mike Hughes



Image: Japan Maritime Self-Defense Force.

Japan is unlikely to join the submarine component of the AUKUS defence partnership between Australia, Britain and the United States, but it could help mitigate the risks associated with Australia’s acquisition of nuclear-powered submarines. This topic should be on the agenda for Prime Minister Sanae Takaichi’s visit this week.

While AUKUS remains the best mechanism for ensuring partner nations’ future defence, all three governments acknowledge that there are substantial risks already identified in the AUKUS Optimal Pathway. An [ASPI report](#) released today makes the case for a Japanese option to cover a submarine capability gap that might emerge from these risks.

Nuclear-powered submarines under government control will give Australia a critical defensive capability while helping all three AUKUS nations deter China. AUKUS naysayers who argue the partnership should be terminated, including on the basis that it reduces Australian sovereignty, rarely provide any realistic alternative. But risks do exist. The challenge is to neither get swept up by concerns around US or British reliability nor sweep known risks under the rug.

To avoid losing a modern, crewed, sovereign submarine capability in the 2030s, Australia needs to start considering ways to mitigate those risks. One option is the leasing of submarines, and cooperation with Japan offers a realistic path forward. As the requirement for these submarines could emerge rapidly, if this is to be a viable option, Australia needs to start pursuing it now.

The risks mainly stem from three demanding, complex enterprises: the extension of the operating life of Australia’s current fleet of six Collins-class submarines; the ability of the US to ensure the timely delivery of between three and five Virginia-class submarines; and the construction of the SSN-AUKUS in Australia and delivery to the Royal Australian Navy from 2040 onwards. Together, these

risks could deprive Australia of a modern, sovereign submarine capability for more than a decade – a capability Australia has deemed essential to its defence over what will be a critical decade of heightened challenges. This gap could manifest as early as 2030 and extend into the 2040s.

The likelihood of the government abandoning key components of the Optimal Pathway is remote, unless circumstances force it to. For more than a decade, Australia tried to replace its Collins-class submarines with a similar capability – an effort that proved unsuccessful, costly and politically bruising. As a result, the Australian government has no appetite to embark upon a full acquisition process to purchase a new class of conventional submarines to cover any submarine capability gap. Even if the political will existed, the time, resources and effort required for the full evaluation, competition and acquisition process of a new class of submarines effectively prohibits this as an option.

However, though it would still present obstacles, leasing a modern submarine capability to fill an emerging gap would present far fewer challenges. Leasing or otherwise rapidly acquiring Japanese submarines would require few resources, at least initially, and wouldn't detract from the Optimal Pathway until that path became obviously unachievable or significantly delayed. As we get closer to key decision points – such as certification to US Congress by the next US administration, likely in 2030 or 2031 – the level of effort required to make leasing a small number of Japanese submarines a reality could be dialled up or down according to the assessed level of risk at the time.

While not the only candidate to approach for leasing, Japan is a particularly attractive partner with which Australia could explore this option. Thanks to its prudent industrial policies and extensive manufacturing capability, it possesses a young, large, modern, highly capable submarine fleet. It is still producing these submarines and continually upgrading their capability and performance, and it likely has excess future production ability and some spare capacity in its existing fleet. Japan and Australia maintain excellent relations across all dimensions of international relations including trade, diplomacy and military-to-military links, as well as having a common perception of the likely threats in the Western Pacific in the foreseeable future.

Given the depth of this request, to make leasing a realistic option Australia will need to begin engagement with Japan immediately. Leaving aside the political and diplomatic dimensions, a significant number of practical matters would need to be put in train as soon as possible, such as determination of costs, funding, industrial production rates and military-to-military discussions.

A sovereign submarine capability is a core requirement for Australia's defence over the next two decades. Given there are known risks that could prevent that happening, exploring a relatively modest alternative seems prudent. To ensure this alternative is available when we need it to be, Australia should start pursuing it now. There is no better time than Takaichi's visit to Australia.

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More risk and cost: de-scoped Collins LOTE strengthens case for looking to Japan

Richard Gray



Image: Yuri Ramsey/Department of Defence.

The reduced Collins-class submarine Life-of-Type Extension (LOTE) program, announced on 19 May, will cost more than previously expected and deliver less capability. The government's decision to cut back the scope of the work also increases the risk to Australia's possession of a modern, crewed submarine capability in the next decade.

AUKUS remains the best partnership for Australia to acquire the nuclear-propelled submarines necessary for Australia to manage the most dangerous era since World War II. But the now elevated risk of losing adequate conventional submarine capability in the meantime strengthens the case for preparing a Japanese fallback option.

Canberra should approach Tokyo to see how it could buy or lease Japanese submarines should they be required in the 2030s.

The Collins-class LOTE program as originally planned was always highly risky, so cutting back what will be done to the six submarines to keep them going is an understandable and responsible move. Instead of a more extensive LOTE, equipment on the submarines will be repaired and replaced as judged necessary for each boat. Sensors and weapons will be replaced where possible. The focus will be on maintenance and safety rather than enhanced capability. Replacement of the diesel engines and generators will be done only if judged to be critical.

The cost of the reduced LOTE is estimated at around A\$11 billion, double what had been estimated for the full LOTE. This is likely not just because the previous costs were probably greatly underestimated but also because old equipment on the submarines will be increasingly expensive to maintain. Critical

elements such as the hulls and in some cases the propulsion systems will be approaching or possibly exceeding 40 years of service by the end of the next decade, increasing the risks to safety and likely requiring intensive monitoring and maintenance.

This raises the question of value for money. Even if all goes according to the new plan, Australia will pay around A\$1.8 billion per boat to keep roughly its current level of conventional submarine capability, at best. In all capability aspects this does not compare favourably with new, modern conventional submarines. For example, Japan's Taigei-class submarines cost about A\$600 million to A\$700 million each. If further reductions to the scope of the LOTE occur – and the announcement yesterday leaves this prospect open, pending further engineering studies – a future government might decide that the running cost of an increasingly fragile and shrinking capability is not worth it and cut its losses. This could mean rapid retirement of older Collins-class vessels and even deciding not to extend the lives of some units, leaving a smaller and rapidly ageing submarine force until the arrival of nuclear boats.

The government plans that at any time three Collinses will be in deep maintenance, which will include life-extension work. Two of the remaining three are to be available for operations. Even assuming this can be achieved in what's still likely to be a risky and technically challenging program, the life-extended submarines will possibly be less stealthy and probably have less endurance than previously planned. They will progressively fall behind newer regional competitors and probably be less able to undertake the full suite of required missions.

The reduction in planned submarine capability as a result of the de-scoped LOTE program increases the importance of achieving the remaining two key steps of the AUKUS Optimal Pathway, delivery to the Royal Australian Navy of US Virginia-class nuclear attack submarines (SSNs) and local construction of the follow-on Anglo-Australian SSN-AUKUS class.

The Virginias are due to arrive in the early 2030s, almost certainly not before 2032. But there is a **significant risk** that deliveries could be delayed – or even withheld if the US judges that it has too few SSNs for its own requirements. Since the Collins class is losing its competitiveness with age, delays to the Virginias and SSN-AUKUS could leave Australia without a modern crewed submarine capability for a decade or more – hence the need to get ready now for the Japanese fallback option.

As the ASPI report *Hedging our Bets* recommends, it is more than prudent to prepare now for the future contingency of rapidly buying or leasing conventional submarines from Japan (or even another partner) should these risks to Australia's submarine capability emerge. The reduction in the LOTE program and resulting reduction in planned capability is a clear reminder that such risks are very real.

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ADF autonomous warfare: go big, go fast

Malcolm Davis



Image: Ricky Treloar/Department of Defence.

The Australian Defence Force needs to expand and accelerate acquisition of autonomous equipment to achieve a rapid increase in force-structure numbers and capability. This is necessary to reinforce Australia's strategy of deterrence by denial and to be ready to protect sea lanes of communication as the country faces an increasingly powerful and assertive China.

In a new ASPI **report**, I argue that the ADF and defence industry should ensure rapid and continuous adaptation and modernisation of autonomous systems. This would allow them to make the most of what Biden administration defence official Michael Horowitz **referred** to as 'the age of precise mass.'

The report acknowledges that Australian defence policy is moving in the right direction in recognising the importance of autonomous systems. This was highlighted in the 2023 Defence Strategic Review, the 2024 National Defence Strategy (NDS) and Integrated Investment Program (IIP) spending plan, as well as in the Defence Industry Development Strategy (DIDS).

However, Australia can't maximise the benefits of autonomous systems if it maintains its overly cautious attitude to experimentation and focuses on acquiring only limited numbers of higher-end uncrewed systems. If it continues this approach, it may miss opportunities to change policies managing capability development, acquisition, sustainment and evolution to encourage development of autonomous systems.

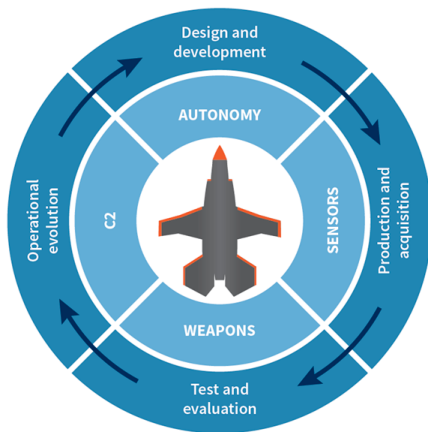
Defence should seek a high-low mix of autonomous capabilities for all three services, complementing crewed platforms and emerging higher-end uncrewed systems, such as Boeing Defence Australia's MQ-28A Ghost Bat collaborative combat aircraft (CCA, a fighter-like drone) for the Royal Australian Air Force and Anduril's Ghost Shark extra-large autonomous underwater vehicle (XL-AUV) for the Royal Australian Navy.

This will require a willingness to change how capabilities are acquired, prioritising greater speed and larger numbers. 'Low cost,

high volume, rapid acquisition’ must be Defence’s key principle to successfully make the most of autonomous systems.

Current policy—as suggested in the 2024 NDS and DIDS and in older joint and single-service autonomous-systems concepts—embraces continuous modernisation. This needs to be implemented at scale through the establishment of an ecosystem incorporating the ADF, Department of Defence and Australia’s defence industry, as shown below. This would ensure rapid development, acquisition and modernisation of large numbers of autonomous capabilities. The goal should be accelerating processes to acquire autonomous capabilities in greater mass (numbers) and at greater speed, and, at the same time, continuously evolve those capabilities in ever shorter innovation loops, both for a specific platform, and more broadly for capability areas, with those loops driven by operational experience.

The example of Ukraine’s Brave1 innovation hub should be instructive in this regard. While Australia’s operational environment is very different from Ukraine’s, Brave1’s rapid innovation cycle could be applied to meet Australia’s needs and ensure that the ADF can keep up with adversary military capabilities and with broader technological change.



An autonomous warfare ecosystem. Image: Byron Illyes/ASPI.

There is a clear need to update current policy guidance on autonomous systems. The current ADF Joint Concept for Robotic and Autonomous Systems dates to 2020, and the RAN’s and Australian Army’s autonomous vision documents date to 2020 and 2022, respectively. There needs to be a new ADF Joint Concept for Autonomous Systems that takes in current thinking and recent technological innovation, incorporating perspectives not just from Defence and the ADF but also from defence industry, the Defence Science and Technology Group, the Advanced Strategic Capabilities Accelerator and even higher education institutions.

That new joint concept should be updated biennially to align with future editions of the NDS and IIP. And autonomous systems should be given greater prominence in those future documents, to ensure they move beyond being considered niche or next generation systems.

Autonomous systems and AI are technology priority areas within AUKUS Pillar Two. Development of these systems under the AUKUS

umbrella could support the introduction of new uncrewed systems, as well as faster acquisition, sustainment and modernisation of capabilities.

Although, as the ASPI report reiterates, platforms are merely the effectors of the broader ecosystem. That ecosystem supports the platforms’ rapid and continuous design, acquisition, sustainment and modernisation, in a manner similar to the formerly planned *Digital Century Series* concept for development of future air power.

AUKUS Pillar Two needs to recognise that development, acquisition, sustainment and modernisation are as important as the actual capability itself.

Moving beyond ecosystems and capability acquisition, the defensive battle cannot lag the offensive battle, and Australia needs greater investment in counter-drone capabilities. Defence should pay for systems that offer low cost per shot, such as directed-energy weapons and electromagnetic warfare, so it can, as UNSW academic Oleksandra Molloy noted, ‘flip the economics’ of defending against adversary drones. In particular, greater investment in EW is important. Indeed, retired General Mick Ryan noted that ‘drones and EW have become co-evolutionary partners during the war [in Ukraine], and they comprise a complementary capability at many levels.’

Finally, it’s important for Defence to approach the use of autonomous systems in a bold manner. Concepts such as a *drone wall*—inspired by Ukraine’s use of such a tactic—could be applied to Australia’s unique operational circumstances, strengthening the ADF’s ability to defend our northern air and maritime approaches. This would also take greater advantage of increased mass and resilience, while reducing risk to the limited numbers of crewed platforms. Such an approach—and similar concepts centred around the use of autonomous systems in other domains for strike and reconnaissance—could transform how the ADF fights. But to realise such a capability, it’s time for Defence to go big and go fast with autonomous warfare.

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How Australia could build a northern wall of drones

Malcolm Davis

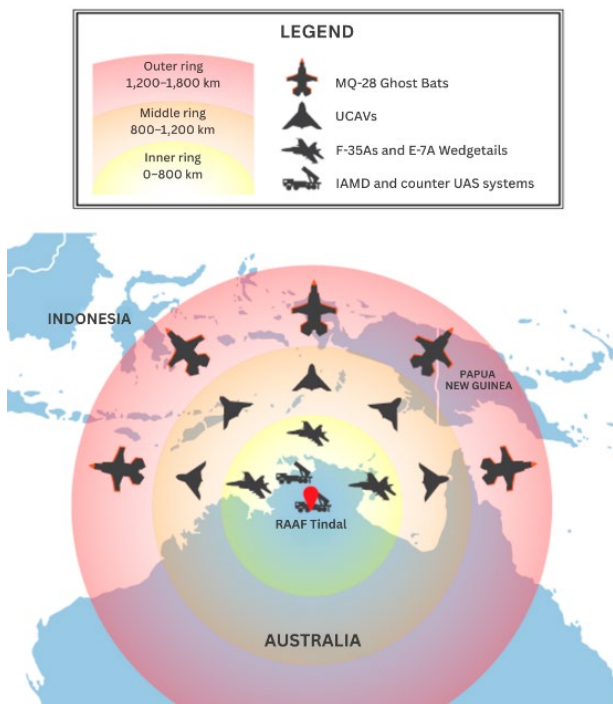


Image: Byron Illyes/ASPI

Australia should consider implementing a wall of drones to its north, to enhance its strategy of denial, consistent with its unique strategic and operational circumstances. Such a drone wall would contribute to the Australian Defence Force's ability to detect and intercept incoming air and missile threats, including swarming drones.

Australia is already beginning to embrace autonomous systems as part of the ADF's future force structure, but it's moving cautiously, in part to meet requirements for trusted autonomy consistent with Australia's international legal and ethical obligations. Given the pace of technological innovation, and the rapid deterioration in our strategic outlook, notably as China's military modernisation gathers pace, Australia must move faster, adapt to change and think in a truly innovative manner on how best to employ such capabilities in future ADF force structure.

Russia's use of drones in hybrid attacks against NATO, and Ukraine's vast operational experience gained by defending against Russia's invasion since 2022, highlight the transformational impact of autonomous systems on modern warfare.

Analyst and former general Mick Ryan describes Ukraine's employment of a drone line (or drone wall) that has imposed heavy casualties on Russian forces and defended key regions of the frontline. That wall is a fire zone, 10 to 15 km deep, that's patrolled by many armed drones that can inflict heavy losses on detected Russian forces.

Ukraine's drone wall is primarily designed to attack detected Russian forces on the ground, over short distances, but an Australian equivalent must emphasise long-range, extended endurance and forward presence, and do so over a maritime environment.

In considering an air defence role, the Boeing MQ-28A Ghost Bat must be the starting point of establishing a drone wall unique to Australia's operational circumstances.

According to the Royal Australian Air Force, the range of the MQ-28A is 'greater than 2,000 nautical miles' (3,700 km), but the combat radius must be less than half of this ferry range, perhaps only one third. At a proposed unit cost of US\$8 million to US\$10 million, the Ghost Bat is vastly cheaper than an F-35 (about US\$88 million per aircraft). But it's still costly enough that it can't really be considered expendable. Payload and flight profile will also affect the platform's combat reach. If the Ghost Bat could be air refuelled, a feature that is under consideration, its mission flexibility would be even greater.

In considering the establishment of a drone wall, assume that Ghost Bats would likely have an unrefuelled combat radius between 1,200 km and 1,850 km. Flying from RAAF Tindal, they could be operating north of Papua New Guinea into the Molucca and Bismarck seas in a future crisis. If airborne refuelling were possible, perhaps from other autonomous aircraft, such as MQ-25 Stingrays, their combat radius or time on station could be much higher. Stingrays could also support the Ghost Bats in surveillance and reconnaissance missions. Acquisition of Stingrays could also free up the RAAF's KC-30A crewed tankers (Airbus MRTTs) for supporting other crewed aircraft, sustaining them on station longer and avoiding the need for them to deploy further forward in more contested airspace.

Thus, Ghost Bats, maybe supported by Stingrays, could operate as the outer layer of the drone wall, exploiting forward sensors, beyond-visual range air to air missiles, and electronic attack capabilities to detect and defeat incoming threats.

The middle layer behind the Ghost Bats would be composed of larger numbers of cheaper uncrewed combat air vehicles (UCAVs), as well as those dedicated towards surveillance, reconnaissance and electromagnetic warfare. They would operate over the Arafura and Timor seas, intercepting any threats that evaded the Ghost Bats. This would be the mainstay of the drone wall, and would need cheaper expendable platforms, performing a single role but acquired in large numbers.

The role of electronic warfare is particularly important. Ryan argues that 'drones and electronic warfare have become co-evolutionary partners during the war and they comprise a complementary capability at many levels.'

In an inner layer, crewed aircraft such as F-35A Lightnings or F/A-18F Super Hornets, supported by E-7A Wedgetail airborne early warning and control aircraft and KC-30As, would manage the drone wall and provide a last-ditch defence against airborne threats.

Finally, ground based integrated air and missile defence systems and counter-drone capabilities would defend key northern facilities along specific arcs of fire. They would counter ballistic missiles, or

higher speed cruise missiles, which a drone wall may be unable to intercept. They could also defeat first-person-view drones launched from civilian vessels operating near Australia.

Such a drone wall could rapidly shift to a strike role, against adversary ships and potential forward bases. In the same way that Ukraine's drone wall is employed to attack Russian land forces once they are detected, adversary naval surface forces approaching Australia, or forward bases, could be targeted and attacked using swarming low-cost autonomous systems in the air and on or under the sea. Those systems could deliver standoff weapons including loitering munitions, as well as smaller armed drones.

Uncrewed surface and underwater vessels could be integrated into a drone wall to track and, if necessary, attack an adversary naval force approaching Australia, emulating the lessons from Ukraine's innovative use of naval drones. They could even strike at forward bases.

They could do so at much greater range than the air component of a drone wall. For example, C2 Robotics' [Speartooth](#) has a range of 2,000 km, and could be acquired in [large numbers](#) at relatively low cost. It could operate in partnership with Anduril's [Ghost Shark](#), which is much larger and has an even longer-range but is more expensive.

A key step would be to decide to arm such systems, which the Royal Australian Navy implies will be considered in its [strategy](#) for robotics, autonomous systems and artificial intelligence but only in the longer term.

On the surface, Australia can already deploy uncrewed vessels such as the Ocious's [Bluebottle](#) for intelligence, surveillance and reconnaissance. But this could be complemented by large [swarms](#) of higher performance platforms such Leidos's proposed [Sea Archer](#) uncrewed surface vessel which could be armed.

This provides a picture of a possible approach for the ADF to exploit autonomous systems to achieve a strategy of denial. But this would need to be complemented by resilient networking and meshed communications across defence and commercial satellite systems, together with persistent surveillance from space, and from 'near space'.

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Military drone racing is becoming a training ground

Oscar Warren



Image: Oscar Warren/ASPI

Australia's military drone pilots are internationally competitive, and the army is beginning to benefit from skills that service personnel are developing privately. Nonetheless, the Australian Defence Force is still a long way from fielding drone capability at the scale that modern warfare demands.

At the sixth Military International Drone Racing Tournament (MIDRT) in Sydney, the ADF team won the title for the sixth consecutive year, this time beating teams from Britain, Canada, Singapore, Malaysia, Indonesia and the Philippines. The tournament also introduced tactical exercises for the first time in Australia, simulating precision strike and aerial interception—tasks drawn directly from the war in Ukraine.

Many teams in the tournament consisted of active military personnel, each racing custom-built first-person view (FPV) drones on a timed course at Randwick Barracks. However, it was the tactical exercises that took place at a site near RAAF Richmond that signalled where the true value of all the skills honed through the sport lies for the defence community.

In one, pilots made a bullseye drop of a replica 60 mm mortar shell from a drone with 25 cm rotors.

In another, a four-person team used a drone with 18 cm rotors to conduct an aerial interception of a camouflaged fixed-wing reconnaissance aircraft flying an automated flight path.

While this is a hobby conducted by ADF members outside of their day jobs, these were not typical hobby exercises. The fixed-wing targets were painted to blend with the landscape and sky, and the intercept task required the pilot to fly blind from a tent, guided only by a spotter who relayed position and altitude over radio.

These private activities are only supplemental to Defence's official effort at implementing widespread use of uncrewed systems in the ADF. But they look notably helpful.



A box of interceptor drones equipped with 'aerial jousting sticks' used to hit the fixed-wing aircraft. Image: Oscar Warren/ASPI.

Wing Commander Keirin Joyce, president of the ADF drone racing team, described how the skills developed through competitive FPV drone racing are highly translatable to tactical FPV drone scenarios—evident in the fact that several pilots on the ADF drone racing team, as Joyce says, 'helped train the Australian Army's 1st Armoured Regiment's FPV strike team' in [Exercise Talisman Sabre](#) last year.

The regiment, based at RAAF Edinburgh at Adelaide, transitioned to an experimental unit in late 2023, with the role of trialling new technologies, including drones and autonomous systems, as part of the army's shift toward littoral manoeuvre—operations that exploit coastal and maritime terrain.

Additionally, most of the ADF drone pilots at the tournament said they built their racing drones from scratch—soldering, programming and assembling—meaning they are developing exactly the production skills that matter for drone forces, who often need to make last-minute repairs and adjustments to their systems in the field.

But the gap between a small community of highly skilled pilots, and the scale of drone warfare seen in modern conflicts such as Ukraine, where a claimed [9,000 FPV drones](#) are being deployed daily, remains wide. For instance, drone pilots at the event said many essential components of FPV drones, including frames, motors and rotors, could be stockpiled, but that the electronics that connect them would become obsolete within a year. So, the ability to produce drones rapidly matters just as much, if not more, as warehousing them. However, the ADF has not yet reached the scale of production and storage that would be required to meet the demands of a modern conflict scenario.

Joyce, also deputy director of disruptive experimentation in the Royal Australian Air Force, said Australia is 'doing well in terms of drone tech and training, and [has] the pilots and skills, but needs to scale it, massively'. Fortunately, there are signs, especially events including MIDRT, that indicate a positive trajectory of this scaling. The government has committed more than A\$1.3 billion over the next decade to counter-drone capability under Project Land 156, and the army's Battle Lab has emphasised FPV drone

innovation as critical, recently producing 161 qualified FPV pilots through its training programs.

Additionally, the army is structurally adapting through units such as the 1st Armoured Regiment, and, according to personnel at the event, Australian drone pilots are working alongside and learning from battle-tested Ukrainian pilots on a regular basis.

What events such as MIDRT show is that the human capital already exists—Australia has a growing community of pilots, many of them young service members who taught themselves the pre-requisite skills to pilot a drone incidentally, through growing up using gaming consoles, and who might never have considered joining the ADF. These young pilots are now building crucial battlefield-relevant skills through competitions including MIDRT, as well as participation in the ADF drone racing team. The next step is for the ADF to ensure they develop the crucial drone capabilities that meet the evolving demands of modern conflict, which it seems to be on track to do.

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Australia chooses big, heavily armed Japanese frigates

Malcolm Davis



Image: Department of Defence.

If all goes to plan, Australia will receive its first made-in-Japan frigate in 2029. The choice of the upgraded Mogami design of Mitsubishi Heavy Industries, announced today, means the Royal Australian Navy will replace its fading Anzac-class general-purpose frigates with much larger ships that need fewer crew members and carry far more weapons.

The second and third ships of the new class are also due to come from a Japanese shipyard, then up to eight are to be built at Henderson, Western Australia.

The design is called 'upgraded Mogami' because it's enlarged from the original Mogami class that's in Japanese service.

With a full-load displacement of 6,200 tonnes, it's much larger than and has important technical advantages over its German competitor, the 3,700-tonne TKMS Meko A-200. Most notably, the

upgraded Mogami has 32 vertical-launch system (VLS) missile cells, double the number in the Meko A-200. Each of the seven remaining ships of the 3,600-tonne Anzac class has only eight VLS cells.

Firepower counts, given the threat posed by China's increasingly potent capabilities designed to deny other countries use of sea and airspace in wartime.

If the new frigates are to 'help secure our maritime trade routes and our northern approaches', as Defence Minister Richard Marles says, they sometimes will need to be able to go into harm's way. The extra missile capacity means an upgraded Mogami can stay on station longer, because it can use some missiles and not have to retire for replenishment. And, with more missiles aboard, it's more likely to survive an attack.

Expect the cells to be loaded mainly with anti-missile and anti-aircraft missiles—probably Raytheon SM-6s for long-range engagements and ESSMs for targets that get closer.

The Mark 41 VLS cells on the upgraded Mogami frigate are of a large type, called 'strike length'. This means the ships can potentially carry Tomahawk land-attack cruise missiles, though, officially, Australia plans to load such weapons only on Hobart-class destroyers. Again, having lots of cells is helpful.

Another advantage of the upgraded Mogami frigate is the smallness of its crew, just 90 people, thanks to extensive automation. The A-200 needs 120, and the Anzac class, which the upgraded Mogami class will replace, about 180. As the Royal Australian Navy struggles to recruit and retain personnel, the leaner complement of the upgraded Mogami design will help keep ships ready for service.

Conceivably, the navy could improve readiness even further by maintaining two crews per ship. The crews for each ship would take turns in going aboard and taking it to sea or standing ready to do so.

The Mogami also has a longer design operational life of 40 years versus 30 years for the Meko A-200—though making use of that will depend on how naval technology will develop during the ships' years of service. It could do so rapidly and unpredictably. If the first upgraded Mogami becomes operational a year after its 2029 delivery, as planned, it would probably need great modification to get to 2070.

In the end, what may count may not be how long the hull, propulsion and other basic systems last but how easily the ship, with open-systems architecture, can be adapted with new weapons, sensors and equipment that tie them and the crew together—the combat management system. The frigates will have to work with uncrewed ships, boats and submarines, as crewed-and-autonomous teaming becomes a key aspect of naval operations.

The Mogami is indeed designed for such adaptability, including the ability to launch and recover autonomous systems.

A ship's combat management system is probably one of the most important determinants of capability. While the Meko A-200 would have used a Saab 9LV system, already familiar to RAN sailors,

since it is used in the Anzac class, the upgraded Mogami has a Japanese combat management system. It works seamlessly with US Navy systems.

The human interface of a combat management system is a room called the combat information centre (CIC), which on the upgraded Mogami is very advanced. Known as the *Advanced Integrated CIC*, it features a 360-degree *augmented reality wall* that fuses data from electro-optical, infrared and radar sensors. This contributes to easier operation of the ship in all tasks.

The ships are called general-purpose frigates to distinguish them from anti-submarine frigates, such as those of the Hunter class being built in South Australia.

The Western Australian yard is being redeveloped to allow the building of the frigates and to support operation of Australian Virginia-class nuclear-propelled submarines from 2032. However, this redevelopment has stalled, and Australia must consider whether it should get Mitsubishi Heavy Industry to build more than three upgraded Mogamis, giving us more time to get ready to build ships of the class here.

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Australia steps up reliance on uncrewed surface vessels

Malcolm Davis

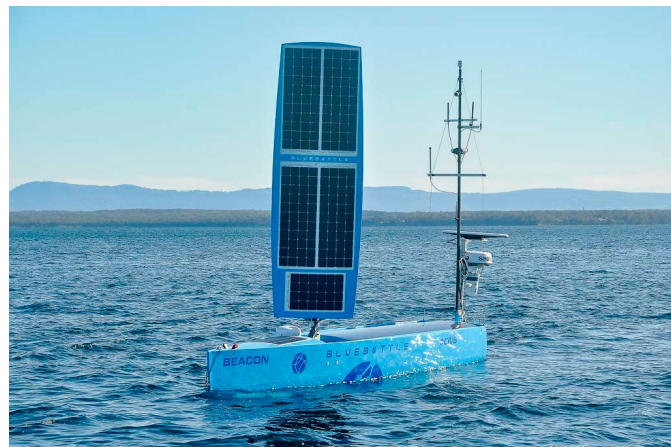


Image: Department of Defence.

Expansion of Australia's fleet of Ocius Bluebottle uncrewed boats is an important step, but it must not be the last in creating a larger and more powerful navy that mixes such systems with conventional warships.

The acquisition, announced on 11 March, will expand the fleet of Bluebottles to 55 from the current 15. The larger number of Bluebottles, called uncrewed surface vessels (USVs), will give the navy greater intelligence, surveillance and reconnaissance (ISR) capability and act as a force multiplier in operations.

For example, by having persistent uncrewed systems such as Bluebottles operating in large numbers, naval surface combatants will have better situational awareness of their operational environment. Defence can exploit the Bluebottles to gain awareness of activities within Australia's maritime approaches and potentially beyond, across areas of primary military interest, depending on where the USVs can be deployed.

Head of Navy Capability Rear Admiral Stephen Hughes *says*:

Ocius Bluebottle uncrewed surface vessels will provide the Australian Defence Force with flexible, persistent and capable long-range intelligence, surveillance and reconnaissance. . . . These vessels can autonomously monitor designated areas for lengths of time in dangerous and harsh maritime conditions. The Ocius contract represents a significant step forward in the acquisition of uncrewed systems for the Royal Australian Navy and it highlights how innovative partnerships deliver results for Navy capability.

Bluebottles can detect both surface and undersea threats. After adding to them the sensors on aircraft such as the P-8A Poseidon maritime patrol and response aircraft and the MQ-4C Triton uncrewed surveillance aircraft, the result is a system of systems that will give the Australian Defence Force much greater awareness of activities in key focal regions. The future may also see space-based surveillance capability added to that mix.

Bluebottles provide a long-endurance surveillance capability at low operating and acquisition cost. The ocean-going boats are powered by solar, wind and wave energy and thus can stay on station for longer than conventionally powered ships. With low costs, Bluebottles can be acquired in large numbers. Beyond surface and subsurface surveillance, they can contribute to electromagnetic warfare and act as communications nodes in a networked command and control system.

But that expanded fleet of 55 Bluebottle USVs must be only the beginning of the process. Platforms such as the Bluebottle must also fully exploit continuous modernisation processes to take full advantage of rapid innovation cycles for fast evolution of their capabilities.

In terms of where the RAN and Defence take systems such as the Bluebottle, the goal should be a rapid expansion of investment into a range of uncrewed systems operating in the air (including some launched from crewed ships) and on and below the waves. The Bluebottle is an ISR platform; it's not designed to be armed. But other new uncrewed equipment, such as the Leidos *Sea Archer* USV, could be armed and integrated into crewed and autonomous teaming.

The navy and Defence need to look at how armed USVs such as the *Sea Archer* can play an important role in future multi-domain operations, but they will also need to expand the fleet of Bluebottles. Certainly, a step up to 55 Bluebottles is a good move. But given Australia's vast maritime operational environment and the need to sustain forward maritime surveillance in wartime, more will be needed.

In considering a hypothetical scenario, the ADF could deploy Bluebottles, as well as uncrewed air and space-based ISR, to act as forward sensor platforms to detect a threat. These could then cue long range fires from crewed naval vessels, such as the navy's future upgraded Mogami-class frigates. The information could also support swarm attacks by large numbers of armed USVs such as *Sea Archer*. The navy could also deploy Anduril *Ghost Shark* uncrewed submarines and crewed nuclear submarines to detect and counter submarine threats. Naval forces—both crewed and uncrewed—could then work alongside other systems, including land-based aircraft (such as the P-8A Poseidon, F-35As and uncrewed MQ-28A Ghost Bats) and anti-ship missile launchers ashore. This is how multi-domain operations, using a mix of crewed and uncrewed systems operating as a team, could emerge.

Bluebottles will play a key role in enhancing the navy's operational capability, but like any military system, they'll need to constantly be modernised and enhanced to meet future threats. The establishment of new production facilities in Sydney and an additional facility around Newcastle creates the opportunity for Defence and Ocius to fully exploit rapid and continuous modernisation processes to enhance the capability of the Bluebottle. That is the key to rapidly expanding and evolving a cutting-edge autonomous warfare capability at sea, and it should be a basis for the navy's development of uncrewed systems such as the Bluebottle.

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Part Five: Defence spending

Cost of Defence's roadmap for spending 3 percent of GDP on defence

Marc Ablong



Image: Daniel Goodman/Department of Defence.

The current debate on Defence funding, sparked by our 29 May report *The Cost of Defence: ASPI Defence budget brief 2025–2026*, and a subsequent US request for Australia to spend more, has swung between a call for increasing funding as a percentage of GDP and a call for making individual funding decisions on specific capabilities that the nation needs.

As demonstrated by *The Cost of Defence*, both sides of that debate are, in fact, right. The report set out specific and necessary capability recommendations that would immediately require spending of at least 3 percent of GDP. That ratio is not merely arbitrary; it has concrete justification.

The defence share of GDP is a widely adopted metric, a standardised way of comparing the effort a country puts into its defence. Indeed, the deputy prime minister highlighted in his [launch](#) of the 2024 National Defence Strategy and associated spending plan, the Integrated Investment Program, that 'Defence spending as a proportion of Gross Domestic Product [is] projected to increase to around 2.4 per cent by 2033–34'.

Expressing defence spending as a percentage of GDP shows how much of a nation's overall productive capacity is allocated to defence. This provides context that absolute spending figures cannot. It also allows for meaningful comparisons between countries of different economic sizes. Without this normalisation, comparing the defence budgets of, say, the United States and Australia would be misleading. Targets for defence shares of GDP, such as NATO's 5 percent, also help guide discussions about burden-sharing among allies.

Further, the GDP-share metric helps assess the affordability of defence spending for a given economy, and highlights the

opportunity costs and trade-offs a nation makes between defence and other public purposes. And tracking this percentage over time reveals shifts in a country's strategic priorities or responses to changing security environments, in ways that absolute financial figures cannot. An increasing percentage indicates heightened perceived threats or a more assertive foreign policy, while a decrease suggests lessened threat perceptions or a shift in domestic priorities.

But increasing defence spending to a percentage of GDP without a clear understanding of the strategic and capability needs of the military is strategically and economically unsound. Throwing money at defence without understanding what that money buys results in waste and inefficiency and undermines military strategy. It was for this reason that the Integrated Investment Program was created in 2016, providing a sensible strategic and financial approach to the key elements of spending needed to deliver and sustain Australia's defence capabilities. Maintaining a 10-year Integrated Investment Program (the period for the initial version ending in 2026) facilitates whole-of-capability and whole-of-life decision making.

But we should also be careful to ensure that governments do not fixate on major capital acquisitions alone. Kit isn't everything. The Australian Defence Force's force structure and capability comprises *equipment* (such as ships, submarines, aircraft and armoured vehicles), *information and communications technology* systems (such as fixed and deployable networks and communications systems), *infrastructure* (such as airfields, port facilities and training areas), *trained people* (including ADF, Australian Public Service and contracted personnel) and the *defence industry and national support base* that delivers all of these elements.

The chief of the defence force, Admiral David Johnston, [said](#) in June that the Department of Defence is fully expending its budget and that Defence is providing frank advice on the need to increase defence expenditure based on an appreciation of the strategic environment, the military strategy, and the budget necessary to deliver that strategy. In giving that vital advice, the department will need to say not just what major equipment is needed to create the future defence force but also what the sustainment and preparedness costs are for the ADF as it's currently configured.

A detailed review of this year's *Cost of Defence* report would aid the department and the government in their thinking. This year's report provided a rigorous prescription of both the current preparedness and sustainment opportunities as well as the specific capabilities that should get accelerated consideration and funding as part of the next revision of the National Defence Strategy and public Integrated Investment Program, due in 2026 (Recommendation 5).

What follows in this article is a precis of *The Cost of Defence's* capability recommendations and some additional details on

possible solutions to aid the government and department. Introducing and bringing forward these necessary capabilities would automatically increase defence spending sooner.

Integrated Air and Missile Defence (IAMD)

Despite investments such as the \$500 million for the Joint Air Battle Management System under project AIR 6500, which serves as the brains of the IAMD system, and a \$7 billion agreement with the US for Standard Missile acquisitions, *The Cost of Defence* identified significant gaps that remain in Australia's planned IAMD system. The timeline to bring the system into operation is too long, so the report advocated for fast-tracking acquisition of proven land-based interceptor missile systems and air defence batteries (p.109), which would be vital for defence of deployed troops, forward bases and homeland military and national facilities. Such systems should be able to deal with longer-range threats, such as intermediate and medium range ballistic missiles, as well as short-range threats. Encouragingly, the government recently purchased AIM-120C3 Amraam missiles for Nasams and has test-fired AIM-9 Sidewinders from Nasams launchers. But missiles of both types are suitable for dealing only with short-range, slower threats—not DF-26 ballistic missiles, hypersonic missiles, such as DF-27, or air launched ballistic or cruise missiles.

Protecting the three northernmost Australian air bases, the east and west fleet bases, the major joint facilities and several of the strategic and operational headquarters would require 20 to 30 missile batteries. This calculation is based on the US's use of two Patriot batteries to defend the Al Udeid Air Base in Qatar during the recent conflict with Iran and Ukraine's use of upwards of 25 surface-to-air batteries across a geographically dispersed area to defend against Russian attacks. (Australia is 13 times larger than Ukraine.) The cost of a Patriot missile battery (for example) is US\$1 billion per battery and missiles of the improved PAC-3 MSE version are estimated to cost around \$3.7 million to \$4.1 million each.

Long-Range Strike Capabilities

Noting that recent *operational usage* of long-range strike missiles by the US has far exceeded planning requirements, *The Cost of Defence* recommended accelerating and expanding procurement of long-range precision strike munitions—including PrSM (\$3.5 million per missile), Tomahawk (\$2 million per missile for Block V), LRASM (\$3.24 million per missile), JASSM-ER or JASSM-XR (around \$1.5 million per missile), or some combination of these weapons—to build sufficient stockpiles for protracted high-intensity conflicts (p.119). The GWEO enterprise should be placed on a priority funding trajectory and weapons stockpiles should be expanded by orders of magnitude if the ADF is to be able to sustain combat operations beyond an opening salvo.

Autonomous Systems

The Cost of Defence also recommended rapid procurement and deployment of autonomous platforms in air, sea and land domains to address the ADF's lack of mass and its workforce limitations (p.52, p.118, p.141). High lethality drones that have

been proven on today's battlefield include the Switchblade 600 loitering munition (costing tens of thousands of dollars per unit) and first person view drones (modified commercial drones costing as little as a few hundred dollars and up to a few thousand dollars). More complex drone systems, such as the MQ-28A Ghost Bat, Ghost Shark UUV, Bluebottle USV, and Speartooth UUV could also be fast tracked to support battlefield innovation and persistent surveillance in Australia's approaches. Similarly, counter-drone capabilities, for air, surface and sub-surface environments, should be accelerated for immediate deployment. Examples are the Electro Optic Systems Slinger system (which aims to destroy drones at a cost between \$155 and \$1,550 per shot) and DroneShield's RfPatrol, DroneGun, DroneSentry-X and DroneSentry-C2.

Space-based surveillance and communications

To ensure that IAMD, long-range strike and autonomous systems can deliver on their potential, *The Cost of Defence* recommended considerable additional funding for sovereign space capabilities for command, control, communications, computers, intelligence, surveillance and reconnaissance (C4ISR) (pp.119–121). Defence on 26 June issued a request for information for project SPA 9102, though the request solely addresses the narrowband satellite communications component—specifically, electromagnetic interference for a single geostationary-orbit narrowband satellite operating in the ultra high frequency band. A sovereign space-based intelligence and surveillance capability and sovereign launch capabilities remains necessary to assure access and strengthen space resilience.

Cyber and electromagnetic warfare (EW)

The Redspice program commits \$9.9 billion over a decade to enhance cyber capabilities. However, current personnel and capability levels remain inadequate. The report recommended expanding offensive cyber forces and advanced EW systems (pp.122–123). Potential additional investments in cyber and EW that could be accelerated include ramping up highly specialised offensive cyber tools and platforms (potentially an additional \$500 million to \$1 billion over five years for dedicated teams, infrastructure and development), acquisition or co-development under AUKUS Pillar Two of a new class of advanced airborne, naval, or ground-based EW platforms beyond current projects like the MC-55A Peregrine (costing perhaps cost \$1 billion to \$5 billion per platform type, depending on complexity and number) and next-generation cyber warfare training and simulation tools to create a highly realistic, large-scale cyber warfare training environment and advanced simulation capabilities (potentially costing in the hundreds of millions for initial setup and ongoing sustainment).

Multi-domain integration (MDI)

Operational effectiveness demands increased integration of offensive and defensive cyber capabilities, advanced C4ISR systems, IAMD, resilient space assets, and emerging domains such as financial and political warfare (p.141). Investment in

multi-domain integration could total tens of billions over the next decade, including expanding cyber personnel (low billions), C4ISR backbone (\$5 billion to \$15 billion), IAMD systems (\$10 billion to \$30 billion), and establishing a financial and legal warfare unit (\$100 million).

Defence Infrastructure

Upgrading and sustaining bases, particularly in northern Australia, is essential for force projection, operational readiness and resilience. *The Cost of Defence* recommended additional investments of \$5–10 billion for northern base upgrades, \$3 billion to \$5 billion for estate resilience initiatives (including base hardening, climate adaptation and renewable energy), and \$2 billion to \$4 billion for logistics infrastructure (pp.131–138).

Naval Shipbuilding and Sustainment

The government's commitment to naval shipbuilding is foundational. However, *The Cost of Defence* recommended additional workforce development, sustainment in northern Australia, and integration of uncrewed systems as requiring further focus. Sustained multi-year funding in workforce training, local sustainment capacity and accelerating uncrewed vessel integration (hundreds of millions to low billions of dollars) is critical for timely capability delivery.

Workforce Development and Retention

The ADF aims to grow from about 58,850 personnel to 69,000 by the early 2030s, with total defence workforce planned to reach 100,000 by 2040. Despite a \$5.7 billion four-year and \$50.3 billion decade-long commitment, recruitment and retention challenges persist, especially in science and technology, cyber, engineering, logistics and defence industry (p.86–90). Additional spending on workforce analytics (\$50 million to \$100 million), training and upskilling (\$500 million to \$1 billion), recruitment modernisation (\$200 million to \$400 million), retention programs (\$100 million to \$200 million annually), and industry collaboration (\$50 million to \$150 million) over five years is necessary to meet capability delivery expectations.

Sustainment of current capabilities and war stocks

Adequate funding for maintenance and sustainment of existing ships, aircraft and vehicles is critical to avoid a hollow force. Sustainment funding and munitions stockpiles are growing modestly but must keep pace with operational demands, especially for submarines, surface combatants and land systems (pp.91–93, and p.47). Moving the dial on the current sustainment funding, such that the ADF's operational units moved from current levels of preparedness to a 24-7 always-ready force would require an increase in sustainment funding of up to 50 percent (approximately \$9 billion per annum).

Beyond the Defence funding base

The Cost of Defence also recommended that the government commit to funding national preparedness and national resilience measures across its own operations, the economy and society to ensure that Australia would be ready to manage potential national-security crises (Recommendation 2). This would be in line with the recent NATO decision to allocate 1.5 percent of GDP to protect critical infrastructure, defend networks, ensure civil preparedness and resilience, innovate, and strengthen the defence industrial base. Australian investments in national resilience and preparedness could include:

—A dedicated national fund for critical infrastructure resilience upgrades, potentially \$100 million to \$300 million per year for grants or co-investment with industry for specific physical and cyber resilience projects (for example, hardened facilities, redundant systems and advanced cybersecurity tools).

—Cybersecurity uplift for smaller and regional utilities, with grants to subsidise cybersecurity training, managed security services, and secure-by-design solutions, potentially in the order of tens of millions of dollars per year.

—Investment in physical resilience and hardening of key nodes of critical national infrastructure from physical attack, sabotage and extreme weather events, potentially \$500 million per annum. This could include redundant power supplies, backup communication systems, physical security enhancements (fencing, surveillance) and climate-resilient design.

—Spending on combatting misinformation and disinformation, including investment in capabilities to detect, analyse and counter foreign interference and disinformation campaigns that seek to undermine social cohesion and trust in institutions, potentially tens of millions of dollars annually.

—Spending on community civil preparedness and resilience, through community education, training and volunteer programs that would revitalise civil defence concepts, first-aid training and local emergency planning, along with equipping community hubs with essential supplies. A sustained national program could potentially cost tens of millions of dollars per year.

The 2025 *Cost of Defence* report did not simply argue for an increase in the percentage of GDP spent on Defence. Rather, it questioned whether the current trajectory of defence funding and capability delivery was enough to deter potential adversaries and protect Australia's interests in an increasingly volatile Indo-Pacific. It also provided a suite of recommendations on the specific capabilities and resources Defence should accelerate to meet the challenges we face today as well as prepare for tomorrow. On the basis of the capabilities needed to defend Australia and Australia's interests, recognising both the deteriorating international environment and domestic budget pressures, the report recommended the government acquire or improve defence capabilities to an extent that would see spending reaching at least 3 percent of GDP in 2026–27.

On the basis of the clear need for the capabilities set out in *The Cost of Defence* and restated here—whether considering new systems, such as counter-drone capabilities, or bringing forward existing projects that are currently programmed too far into the future—Australia would end up spending a far higher fraction of GDP on defence. A frank and fearless military strategic appreciation, followed by an objective capability needs analysis focused on both today’s threats and tomorrow’s, followed by a resource bid reflective of both the threats and the ADF’s capability needs, would see Australia spending a lot more. In the most dangerous period since the end of World War II, a nation cannot limit its defence strategy to either GDP percentages or capability proposals alone. The two go hand in hand. The government should consider these recommendations to ensure that the ADF has everything it needs, when it needs it, to defend our nation.

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When the world changes, so must our defence: Australian spending should exceed 2 percent

Marc Ablong and Justin Bassi



Image: Gregory Scott/Department of Defence.

The Iran War, more than four years of Russia’s war on Ukraine and tensions in the Indo-Pacific have prompted most democratic nations to reset defence strategies and budgets. The strategic rationale is just as relevant for Australia.

Australia’s upcoming National Defence Strategy, set for release next month, will reportedly include a significant increase in defence spending. While some will argue an increase is due to demands from the US administration, it’s more likely that Canberra deems it necessary for a world that has shifted from episodic strategic instability to a more permanent condition of risk, one that directly affects Australian security.

What we are now likely to see, and should see, is a prompt rise in Australia’s defence spending above the current target of 2 percent of GDP.

Keir Giles’s analysis in *Foreign Policy* discussed the challenges facing Britain’s armed forces, which the Iran War has exposed. Australia finds itself in a similar quandary. Unpreparedness has followed decades of stop-start spending on the Australian Defence Force and particularly on its ability to defeat emerging threats.

Australia first declared an aspirational target of reaching 2 percent of GDP in the 2013 Defence White Paper and embedded it in the 2016 White Paper as a commitment. But it did so in a world that, despite some worries, looked mostly structurally stable. The central operational priority then was the campaign against Islamic State, not the prospect of concurrent majorpower conflicts and sustained greyzone pressure.

A decade on, that assumption has collapsed. Australia faces overlapping wars in Europe and the Middle East, regular missile and drone use against state targets, and an IndoPacific that is more militarised and contested than at any time since 1945. Aggression in the South China Sea, sustained pressure on Taiwan, and a growing suite of coercive economic and cyber tools have turned competition into a grinding, longterm stress test of national power rather than a temporary spike. Holding to a 2 percent target anchored in a very different era would be strategically unsound.

The United States has urged allies to do more. Last year at the ShangriLa Dialogue and other meetings, Washington made clear its expectation that allies, including Australia, should lift spending towards 3.5 percent of GDP on hard military capability. That message was reinforced by the US National Defense Strategy released in January.

If Canberra’s main motivation was to placate Washington, it could have moved quickly last year. Instead, the Albanese government concentrated on explaining the mutual benefits of AUKUS, emphasising the contribution of joint facilities and Australia’s submarine, strike and enabling capabilities to shared deterrence architecture.

The political and diplomatic payoff was evident when Prime Minister Anthony Albanese’s October 2025 White House meeting with President Donald Trump was reported as one of the administration’s warmest bilateral encounters to date. Good strategy turned out to be good politics: by grounding spending in Australian assessments of risk and opportunity, Canberra both reassured Washington and preserved its own strategic agency.

The more telling comparison for Australia is the behaviour of other advanced democracies confronted with the same threat set. At the 2025 NATO summit, allies agreed a new spending minimum of 5 percent of GDP by 2035, with 3.5 percent devoted to core military capability and at least 1.5 percent to defence-related infrastructure, resilience and industrial capacity. This was not a symbolic tweak to the old 2 percent benchmark; it was a recognition that the cost of credible deterrence and sustained warfighting was far higher than assumed even a decade earlier.

Several frontline states are already treating 5 percent as a floor, not a ceiling. Estonia's leadership has signalled that Tallinn is spending around 5.2 percent of GDP on direct military capability and, once broader resilience investments are included under NATO's formula, its defence-related outlays exceed 8 percent of GDP. Poland has moved towards 5 percent on hard capability. None of these choices can be explained by alliance politics alone; they are driven by proximity to Russian forces, live experience of hybrid warfare, a sober reading of a long war and the growing power of the Sino-Russian 'no limits' partnership.

In the IndoPacific, Japan offers perhaps the clearest analogue for Australia. Tokyo has embarked on a multiyear plan to massively increase defence spending to around 2 percent of GDP, including a 43-trillion-yen capability buildup centred on missiles, air and maritime denial and industrial strengthening. South Korea, the Philippines and others are following with more modest but still meaningful increases. These trends suggest that IndoPacific democracies are converging on the conclusion that resilience and deterrence in an age of majorpower rivalry require a larger, more sustained share of national output.

Australia's adversaries have been operating at these higher levels for years. While Beijing's official defence budget remains opaque, most independent assessments suggest that China's true military spending is considerably higher than published figures and now constitutes the largest peacetime buildup in modern history. Russia, meanwhile, has pushed its wartime defence outlays to levels that reshape its entire economy, prioritising munitions, armoured vehicles, and air defence at the expense of civilian investment.

China's and Russia's no-limits partnership complicates allied planning by increasing the risk of simultaneous crises in Europe and the IndoPacific. That possibility has been underscored by the US-Israeli campaign against Iran, offering a demonstration of what highintensity operations actually consume: large stocks of precision munitions; resilient command and control; multilayered air and missile defence; and a defence industrial base able to replenish expended weapons at speed.

For countries such as Australia, with limited stocks and a slender industrial base, the lesson is that deterrence is about both buying major equipment, such as ships and aircraft, and funding the munitions, infrastructure, workforce and industry that make them relevant in a protracted crisis.

ASPI's analysis of the 2025 Defence budget estimated Australia's current defence outlays at around 2.05 percent of GDP, and the government has signalled a rise towards about 2.33 percent by the early 2030s. In 2016, 2 percent in a relatively stable environment may have been justifiable. In 2026, with multiple wars underway and the IndoPacific under sustained pressure, clinging to that setting would be less so.

In this context, John Maynard Keynes's attributed line 'When the facts change, I change my mind. What do you do, sir?' is more than a clever quote. It captures the core policy test facing

Canberra: admitting that an era of chronic insecurity demands a larger allocation of national resources to defence, even when that competes with other worthy priorities.

The coming National Defence Strategy should meet that test. It should align ends to means for the world as it is, and the Defence budget should prioritise real dollars rather than commitments in the forward estimates. That would be the clearest signal that Canberra has, in Keynes's spirit, changed its mind in response to changed facts.

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2026 cost of Defence: the budget is a promise to the future paid for by the present

Marc Ablong, Mike Hughes, Linus Cohen



Image: Byron Illyes/ASPI.

Australia's 2026–27 budget commits the federal government to daily spending around A\$181.9 million on defence. That headline sits on the cover of our 2026 *The cost of Defence* report, released today. The number is sobering. The composition is more so.

One of the most worrying issues in the budget is that we are buying a future force and doing so by accepting that the current force will be able to do less today. The decline in acquisition and sustainment funding in this year's appropriation, which keeps our ageing major equipment prepared, results in less availability from them, less ammunition and other consumables, and less time at sea, in the air and in the field.

In his budget night speech, Treasurer Jim Chalmers put defence in his 'resilience and reform' pitch, alongside fuel resilience, critical minerals and the Future Made in Australia agenda. The framing was correct: economic security, economic resilience and national security are now one and the same. On the policy architecture for that broader security pillar, the government should be acknowledged and praised. On the appropriation behind it, the work has barely begun.

The 2026 National Defence Strategy (NDS) and the updated spending plan that accompanied it, the Integrated Investment Program (IIP), describe a force built for the strategy of denial, anchored to the nuclear submarines of AUKUS Pillar One and funded across the coming 10 financial years at A\$887 billion. But of every dollar in A\$53 billion of additional decade investment the government announced, only about four cents is appropriated in this budget. The remaining 96 cents is in forward estimates promises, decade out-year profiles, Contingency Reserve allocations and alternative financing intentions that the budget papers don't specify. The 2009 Defence White Paper, in which roughly A\$48 billion of committed funding was later abandoned, shows that promises of this kind can be, and often are, reduced by subsequent budgets.

The shape of the 2026–27 Budget signals the choice the government has made. Spending on the Defence workforce is up by A\$815 million, capability acquisition is down by A\$724 million, and sustainment is down by A\$283 million. Whole-of-government defence spending falls in nominal terms by A\$799 million before backloaded growth begins in 2027–28. The government is paying for the people in advance of the equipment they will operate. The 2026 NDS is asking the present force to carry the deterrence load through the optimal pathway window to the 2030s, and asking it to carry it with less.

The 12 capability investment priorities that the IIP is organised around share a concern that our report assesses: the gap between the announced plans and committed delivery. Typically, 75 to 80 percent of the next decade's IIP spending remains unapproved, backloaded into the period the NDS itself identifies as most dangerous. The most acute case is integrated air and missile defence, for which A\$850 million is approved against A\$21 billion to A\$30 billion planned. The E-7A Wedgetail replacement carries A\$5 million of approved funding against A\$10 billion to A\$15 billion planned. We have for several years identified integrated air and missile defence as the ADF's most critical capability gap. The budget reads as if the government is yet to do so.

As for the defence fraction of GDP, the trajectory reaches around 2.5 percent by 2033–34 on the traditional appropriation measure and, we are told, around 3.0 percent on Defence's calculation using NATO's methodology. For want of detail in the calculation, we cannot verify this.

The government has chosen the NATO calculation to align with allies that also use it. On that basis, Australia is still behind the minimum 3.5 percent of GDP that NATO has set for core defence spending. The budget reads as if the government hasn't recognised, and does not intend to close, that gap any time soon. But Australia's broader security, beyond core defence, is closer to NATO's 1.5 percent target than is generally appreciated.

Regardless of Defence's share of GDP, Australia continues to fall in absolute terms behind Indo-Pacific powers. China's officially reported spending, at US\$314 billion (A\$438 billion) in 2025, is now more than three times Japan's and about 13 times Australia's (and generally regarded as an understatement). Our rank in the regional

defence spending league, inside the top five at the start of the decade, now sits outside it. And we won't regain that position by 2035, with our defence spending growth rate below the regional median and below every major Indo-Pacific power.

If the promises of the 2026 NDS and IIP are delivered, the principal gap will no longer be money; it will be growing the Defence workforce, strengthening the industrial base, integrating capabilities and achieving the institutional follow-through – in reform and commitment to delivery – that the decade ahead requires. Availability of submariners, pilots, cyber operators, engineers, acquisition staff and other specialists is now the limiting constraint across almost every major capability stream. Without them, major equipment cannot be operated, the programs cannot be delivered and the strategic concept cannot be sustained. Money alone will not relax these constraints.

Three conclusions follow. First, we believe that funding present-day preparedness is important. The sustainment and operating reductions are buying a future force at a cost to the current one. The cost should be acknowledged and redressed. Second, we would argue for pushing forward the defence delivery reforms scheduled for 2027–28 with full institutional weight. Lifting the rate at which unapproved projects become contracted is the central reform task, and the Defence Delivery Agency and National Armaments Director cannot start that task soon enough. Third, the government should publish the formula for calculating the NATO-like funding methodology. The story that Australia is telling allies is weaker than the story Australia can actually tell.

The strategy is set. The budget is structured. Delivery has started. The decade ahead is a test of whether Australia has the institutional follow-through to see the strategy of denial through to the force it requires. The 2026–27 Budget is a promise to the future, partly paid for by the present. Whether the promise is kept will be settled, year by year, in budgets that future governments have yet to write.

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How to count Australian defence spending as (almost) 2.8 percent of GDP

Linus Cohen

We can almost get there using available data, and with a bit of determined accountancy we could probably get the whole way.

An examination of budget papers can largely explain the 14 September statement by Defence Minister Richard Marles that, by NATO's measure, Australia is spending not 2.03 percent of GDP on defence but 2.8 percent. The difference is mostly made up in Defence pensions, which NATO would count as military spending but Australia does not. Add in the effect of different accounting

rules for equipment purchases, and it's fairly straightforward to find at least 2.6 percent.

Marles said, 'if you look at the way in which NATO accounts for its own spending in terms of percentage of GDP, based on that metric, our spending on GDP today in terms of defence is around 2.8 percent.'

This was no offhand remark, since he repeated it on that day and the next.

The relevant political context is clear: the current US administration talks about defence spending in percentages of GDP to its allies and expects an answer in kind.

Apart from the reference to NATO accounting, Marles didn't say exactly how he had got to 2.8 percent of GDP for Australia 'today', which we can take as meaning fiscal 2025–26. So let's have a go at covering the 0.8-percentage-point gap.

NATO has a bespoke method of calculating defence spending. It used it in June when it set an alliance-wide spending target of 3.5 percent of annual GDP by 2035 (plus 1.5 percent for vague 'defence-related' spending). Its method differs from how member states generally report their defence expenditure, sometimes by a lot. The British Ministry of Defence, for example, reported spending £53.9 billion in the 2023–24 financial year, but NATO assessed Britain as having spent £61.2 billion on defence in the same period.

Much of the difference arises because the NATO definition includes pensions for defence personnel, both uniformed and civilian. Some countries do include pensions in what they call their defence spending. But Australia's usual headline defence budget, the \$59 billion in consolidated defence funding (on the bottom line of Table 4a of this year's Portfolio Budget Statement [PBS]) excludes them.

The other big complication is that NATO measures spending as payments are made, not when financial liabilities are incurred and assets depreciate. That matters especially for big capital assets, such as warships, infrastructure and software. In an accrual-based system such as Britain's or Australia's, the cost of a \$10 billion ship is spread out over its life. It gets reported as, say, a \$400 million expense each year for 25 years. In a cash-based system like NATO's, the full \$10 billion would be reported as the ship was built and the government made progress payments. Then nothing would be counted after that. So it's quite possible for a NATO measure of Australian spending to vary by billions from the budget papers without an iota of real-world difference.

How Marles's hypothetical got to 2.8 percent of GDP (roughly \$75 billion) boils down to this question: how much cash, between 1 July 2025 and 30 June 2026, will the Australian public sector exchange for military equipment, wages and contract services? That means guns, bullets, aircraft, trucks, spare parts, buildings, research and development, office chairs, the labour of forces personnel, pensions to former and current staff, and so on and so forth. It's not about what expenses Defence expects to take on, with or without paying that year, and it's not about the appropriations that

Parliament legislates—which are the figures ASPI usually looks at in its *Cost of Defence* budget brief. This time, it's just about the cash.

How the minister's office worked out this cash estimate is not clear, but some useful figures are deep inside the PBS. Australian government agencies do estimate what they expect cash movements to be over the budget period. Let's take a look.

Estimated cash outlays on defence, 2025-26	
Department of Defence (including ADF, excluding ASA and ASD) 2025-26 Defence PBS, Defence, Table 46: Budgeted Departmental Statement of Cash Flows	\$60.4 billion
Australian Signals Directorate 2025-26 Defence PBS, Australian Signals Directorate, Table 8: Budgeted Departmental Statement of Cash Flows	\$2.6 billion
Australian Submarine Agency 2025-26 Defence PBS, Australian Submarine Agency, Table 8: Budgeted Departmental Statement of Cash Flows	\$0.4 billion
Military benefits (> 99.9% toward military pensions) 2025-26 Defence PBS, Defence, Table 52: Schedule of Budgeted Administered Cash Flows	\$4.7 billion
Estimated public-service pensions attributable to Defence and Australian Submarine Agency 2025-26 Finance PBS, Commonwealth Superannuation Corporation, Table 1.1: Third party payments from and on behalf of other entities	\$1.0 billion
Total	\$69.0 billion

Attribution of pensions is estimated pro rata from Defence and ASA's 10 percent share of public service staffing; see 2025-26 Budget Paper 4, Part 2: Staffing of Agencies. ASD's staffing level is not publicly disclosed and has not been included in this calculation.

\$69 billion is about 2.6 percent of GDP. So we're most of the way to 2.8 percent.

Unfortunately, so far we've covered only the easy parts. A figure calculated to the NATO standard would exclude some hard-to-gauge things that are somewhere in our numbers, and it would include some that are not.

For instance, Australia's cash spent investing in defence industries, here or abroad, would have to be taken out: it would count as defence-related spending for NATO purposes, not defence spending proper. (Had Marles intended to measure Australia's spending against NATO's 5 percent overall target, defence-industry money could be left in.) The PBS generally does not provide information granular enough to nail down investment in industry, though we can be fairly sure it's a significant part of what the Australian Submarine Agency spends its money on.

The PBS is also of very limited help to us in identifying the remaining \$4 billion or so—though someone surely could do it if armed with the detailed numbers and a determination to put a 'defence' classification on whatever could be justified.

This could be done because NATO would allow such classification of money paid in other portfolios for goods or services that contributed to defence. Examples might include the health department's development of regulations related to nuclear-powered submarines; Department of Education grants for dual-use technology research; and the Bureau of Meteorology's provision of weather services to the ADF. But we could count those only in proportion to Defence's share of that use, which wouldn't be easy to estimate.

We'd also be able to count non-military forces such as the Australian Border Force or even the Federal Police, but only to the extent that they were equipped as a military force and could realistically be deployed abroad in support of the ADF.

Getting to the 2.8 percent line would require a considerably deeper and broader budget analysis than we have room for here, so this is where we leave it for now.

In government accounting, there are often several numbers that can legitimately claim to be ‘defence spending’. The NATO measure is just one. It’s not deceptive, at least not intentionally. It’s simply meant to provide a consistent basis on which the NATO allies can put a top-line number on their ‘inputs’ to defence, and it does that tolerably well. But inputs don’t tell you much about outputs. Achieving a particular GDP ratio is no guarantee that the money’s spent wisely or well, let alone of whether it’s translated into real capability.

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The biggest window into Australian defence acquisition has closed

Linus Cohen

The main mechanism by which Defence is held accountable to the public for management of its A\$20-billion-per-year capability acquisition program has ended.

In a [press release](#) on 6 March, the Parliamentary Joint Committee of Public Accounts and Audit (JCPAA) said it had ‘resolved not to request the Department of Defence and Australian National Audit Office continue to produce the Major Projects Report.’

Balancing transparency and secrecy will be much harder under new scrutiny arrangements to be instituted this year.

Since 2008, the annual [Major Projects Report](#) (MPR) has given the public and the government detailed information on how selected acquisition projects have performed against planned schedules, scopes and budgets. This information is sourced directly from Defence’s project-management teams and independently reviewed by ANAO.

Getting value for money out of Defence’s acquisition program is a persistent concern for the government. While particularly troubled acquisitions become the subject of standalone ANAO reports, the MPR has provided a recurring, deep and broad level of transparency across the whole acquisition enterprise. It has shone a light on how and why Defence projects have underperformed, offered a fine-grained look at systemic issues in capability acquisition and given Defence a chance to show how it has learned from those issues. For independent analysis of defence spending and capability, the MPR has been invaluable.

However, since 2023 Defence has withheld more information on project performance on the grounds that releasing it might threaten national security. In the past three MPRs, nearly every project has had capability delivery dates (among other information) retracted as potential security risks. This compromised the purpose of the MPR and rendered its previous depth of analysis impossible. On 7 November, JCPAA deputy chair Senator Matt O’Sullivan [said](#):

Given the manpower that is involved in both the ANAO and Defence working on this report, and now we’re in a situation

where 20 out of 21 projects cannot be properly reported on ... what’s the point of this process if we can’t really get down and get the oversight and the transparency that would be required to properly scrutinise, as a parliament, this huge expenditure from the Commonwealth into Defence?

O’Sullivan’s question appears now to have an answer: there is no point. This is an extreme answer. Data retractions reduced the utility of the MPR, but it still represented a world-class commitment to public disclosure. Defence’s internal systems, spurred by two decades of mandatory reporting, have never been more capable of and more cost-effective at providing timely and comprehensive transparency about major projects. The JCPAA can also change how the MPR is composed. It’s surprising that the committee has deemed the entire MPR process unfit for purpose. What will replace it isn’t yet clear.

The JCPAA has said it would examine ‘in greater detail’ ANAO performance audits conducted within the Defence portfolio. Those have a lot of depth given their narrow scope, but the recurring, cross-sectional aspect of the MPR will be tough to reproduce. The JCPAA’s intent to ‘decide in the coming months on a structured and robust program of scrutiny’ is stated without elaboration. Whatever it entails, it will very likely involve establishing a division of labour with the Joint Standing Committee on Defence (JSCD), [legislated](#) earlier this month, which has a mandate to scrutinise the capability acquisition program and to take classified evidence in doing so.

The risk there is that the JSCD enables parliamentary scrutiny of defence acquisitions that is deep, broad, cross-sectional and largely if not totally closed to the public. This isn’t unimaginable: the JSCD is modelled closely on the Parliamentary Joint Committee on Intelligence and Security, whose annual scrutiny of intelligence agencies’ spending publishes only a terse committee report with little detail.

Even if new scrutiny arrangements don’t go that far, a continuation of the MPR’s tendency to disclose less will risk compromising evidence-based public debate on Australian strategic policy. This would also inhibit the new arrangements from solving the problem that the MPR evidently couldn’t: how can the government be held to account for executing the National Defence Strategy when its progress on one of the strategy’s central parts—accelerating capability delivery—can’t be publicly discussed?

Much about capability acquisition is worth keeping secret. For Parliament, designing a scrutiny program that balances transparency in the public interest with secrecy in the national interest will be much more difficult than when the MPR was created. It would be easier to lock scrutiny of Defence’s schedule performance behind closed doors in the JSCD. That choice is not for outsiders to make. We can only advise those making it that the hard road is often the only one that gets you to a place you want to be.

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Australian GMLRS: assembled in Australia, but made in America (so far)

Madi Jones



Image: Andrew Green/Department of Defence.

They were assembled in Australia but not really made in Australia. Lockheed Martin GMLRS missiles lately test-fired in Australia were the first delivered from an Australian factory, and the 13 April [announcement](#) of the shots is a milestone worth celebrating. But at this early stage the Australian production process for GMLRS surface-to-surface rounds is still only the putting together of parts imported from the United States.

End-to-end production for various types of missiles in Australia is the goal. Having a self-reliant missile-making capability means being able to sustain, adapt and replenish in times of pressure, which demands the sharing of fabrication technology, implementation of full manufacturing capability, and skills transfer to Australia. At present, if the US supply fails, so does the Australian assembly line for GMLRS (pronounced ‘Gimmlers’).

The Australian Defence Force’s access to missiles is improved only slightly by the assembly activity done at Lockheed Martin’s new plant at Port Wakefield, South Australia. The key benefit is that Australia is beginning to help build up global industrial capability for GMLRS. Assembly is also a toe in the door in building trust with the US for licensing and deeper technology-sharing in the future.

GMLRS is a ground-battle weapon, an artillery rocket that has an officially stated range of 70 km and is mostly launched from Himars trucks. Typical targets include enemy force concentrations, command posts and supply dumps. Beyond GMLRS, Australia is looking to build much more sophisticated missiles, such as PRSM and hypersonic weapons.

Deeper Australian manufacturing of GMLRS itself is intended. In the announcement of the test shots (dates for which weren’t disclosed) Defence Industry Minister Pat Conroy said, ‘Australian suppliers will be progressively introduced into the GMLRS supply chain thanks to the . . . government’s A\$320 million commitment to uplift local companies to manufacture GMLRS components.’

Nonetheless, Australia is so far receiving only limited production technology under the GMLRS arrangement with Lockheed Martin,

because of US government restrictions. Washington strictly controls its missile technologies, particularly those for seekers and guidance. Even following the precedent of AUKUS technology sharing agreements, advanced missile technologies remain on the exclusions list.

Aiming at deeper technology sharing, Australia has so far secured an agreement to produce [some](#) GMLRS components beginning in 2029. This will be the next step in building industrial depth, though it is unclear which parts these would be. If controls on technology sharing don’t change, Australia will always rely on importing the systems that give GMLRS its high accuracy.

Australia’s Guided Weapons and Explosives Ordnance plan was that local manufacturing would [ensure](#) the ADF’s missile supplies. With most of our missiles being acquired from the US, Australia has high single-source dependency. But opening a Lockheed Martin assembly line in Australia has not addressed this.

Australia will need much more control over the supply chain to secure ADF access to missiles; it will also need large production capacity. Self-reliance demands diversification of missile types in domestic production and use of a variety of supply chains to avoid dependence on a single foreign source.

Australia’s planned solution is to develop a domestic capability to make every component required for any missile type it puts into domestic production, which is hindered by restrictive technology sharing agreements. Since missile types can use widely different components, an ability to do this for one doesn’t necessarily imply an ability to do it for others. But it does imply the strengthening of technical skills and knowledge that ease barriers to broader production.

Australia can make domestic manufacturing and technology transfer a condition of its procurements. Poland did this in 2023 when it agreed to buy CAMM anti-aircraft and anti-missile missiles from the Anglo-French-Italian company MBDA. It gained sufficient rights to make the missiles and their launchers [domestically](#). A December 2025 agreement between South Korea’s Hanwha Aerospace and Poland’s WB Electronics will lead to Polish production of the Chunmoo CGR-080 (which is very similar to GMLRS), building what Polish Deputy Prime Minister Wladyslaw Kosiniak-Kamysz refers to as their ambition for ‘[production independence](#)’. Deliveries are due to begin in 2030.

The Australian government is clearly aware that these partnerships are possible. Australia’s deal with Norwegian company Kongsberg for NSM and JSM strike missiles will deliver technology sharing and industrial depth which will allow for sustainment in Australia. The production facility at Newcastle will exactly replicate an advanced new Kongsberg plant in Norway. While it will also begin as an assembly station, it is planned to produce priority components, assemble, and maintain missiles of both types by 2028. In addition, BAE Systems Australia has the [contract](#) for supplying sensor technology for the Kongsberg JSM seeker globally, and, with support from German manufacturer TDW, Australia may also make the warhead for NSM and JSM.

When Australia makes all components for a missile, it has more control over the timing and volume of production. It need not await foreign supplies or approvals. Within the limits of its budget and local factory capacity, it can feed its armed forces as it needs to. The question is whether Australia will keep making large exceptions to this ideal, as it's doing with GMLRS.

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Opportunities and risks in Australia's defence acquisition shake-up

Malcolm Davis



Image: Jacob Joseph/Department of Defence.

Amid delays and cost blowouts in Defence, the Australian government on 1 December [announced](#) a sweeping overhaul of Defence procurement with the creation of a Defence Delivery Agency (DDA). This will occur from the merger of three existing groups—the Capability Acquisition and Sustainment Group (CASG); the Guided Weapons and Explosive Ordnance (GWEO) Group; and the Naval Shipbuilding and Sustainment Group.

This establishment process will be a lengthy one, across 18 months. Firstly, there will be a whole-of-government task force to develop an implementation plan and report to the deputy prime minister and the minister for defence industry in early 2026. Then, functions from the defence services, the Joint Capabilities Group and the Contestability Division will be transferred into the Vice Chief of Defence Force Group by mid-July 2026. This will occur shortly after the release of the 2026 National Defence Strategy (NDS) and associated Integrated Investment Program (the IIP, a spending plan), and then the DDA will be fully established by 1 July 2027. Most importantly, it will be an independent agency that reports directly to the minister for defence and minister for defence industry.

Defence Minister Richard Marles [said](#):

... this is one of the most significant reforms to defence that we have seen. It will greatly change the way defence operates. It will greatly improve the quality of the defence spend, and it

will make sure that as we spend more money in the defence budget, we are doing so in a way which sees programs delivered on time and on budget.

At the same press conference, Minister for Defence Industry Pat Conroy stated that:

... these reforms, historic in nature ... will deliver speed to capability for the men and women of the ADF, making sure that the record increase in the defence budget will be spent wisely, delivering equipment as soon as possible into the warfighter's hands.

There is a clear need for a more efficient, streamlined and cost-effective capability acquisition process. If handled well, this reorganisation may streamline the actual process of capability development. That would be a good step forward and the government is to be commended for making this decision now. But there are opportunities and risks ahead.

The DDA will be [led](#) by a national armaments director, with recruitment for that role about to begin. This creates an opportunity to ensure that this person be able to engage with the Australian people, as well as industry, to explain the nature of defence acquisition and be able to take political risks when problems occur, rather than be constrained by political interests.

Decisions on the capabilities that the defence force needs will be consolidated under the vice chief of the defence force. Having then determined that a particular capability is required, that project will be given to the DDA along with a budget to make sure that that project is delivered on time and on budget. That sounds simple, yet in delivery there are risks. A new organisation demands new ideas and thinking, and it's not clear there will be any. Marles made clear there will be no job losses, [saying](#), 'the same people who are currently undertaking their work in these three groups will be undertaking their work in the new Defence Delivery Group.'

There is value in embracing a new generation of decision-makers and taking the opportunity to push the decision-making process further down to operational leaders. In creating the DDA this opportunity for embracing new thinking should not be missed. If this reorganisation simply sees the same processes and culture for management of defence projects under a new organisational structure—in effect, business as usual under a new organisation chart—then it is not likely to produce significant change in how capability is acquired and could in fact slow capability development. The DDA needs to avoid simply becoming the disbanded [Defence Materiel Organisation](#) (DMO) under a different title.

Therefore, in undertaking this reorganisation the government and Defence should embrace bold thinking. Both within VCDF Group and in the new DDA, there should be an emphasis on a fundamental change to how capability is conceptualised, developed and acquired, deployed into operational service and then sustained and ultimately modernised as a continual and constant process.

Certainly, some types of military capability are large and complex—warships and submarines are examples—and thus are slow to

develop. Yet a great deal of capability can be acquired quickly by embracing the paradigm of small, cheap and many. This would be based around lower-cost capabilities, including [investment](#) in autonomous systems that rapidly deliver mass to the ADF. Such an approach is demonstrated through the quick delivery by Anduril Industries of the Ghost Shark uncrewed submarine. How the DDA can exploit such rapid capability development will be a vital task.

Because the reorganisation brings together CASG, GWEO and Naval Shipbuilding and Sustainment, this is a perfect opportunity for the consolidated organisation to support the development of new approaches to acquisition, such as capability ecosystems that can deliver combat mass swiftly and ideally ensure interoperability with allies and partners. But tough questions do need to be asked. For example, are there ways whereby national shipbuilding can be accelerated to deliver vital naval capabilities sooner? Should greater investment be directed to ensure sustainment of existing Australian and allied naval capabilities, both in peacetime and during protracted major power war, rather than focusing on shipbuilding? This also raises issues about the importance of more rapidly delivering defence infrastructure that's needed to support shipbuilding and sustainment.

Speed and mass both matter now, more than ever. Defence capability development needs to incorporate both experimentation and actual operational testing that then informs acquisition and a rapid continuous modernisation process. It's not clear how this reorganisation will lead to Defence acquiring more capability, faster, at lower cost and at the same time be more responsive to rapid change in military technology and the threat environment.

The risk is that the reorganisation is just transferring existing capability acquisition processes as well as mindsets and culture from the existing three groups into a new agency that will maintain them. There will be a more streamlined reporting process to the government, but the actual capability acquisition process will be the same. That would be a missed opportunity.

Perhaps Defence could consider the experience of others, such as Ukraine's [Brave1](#) innovation hub. Instead of traditional approaches to procurement, the DDA should prioritise spiral development to fund rapid capability acquisition. That means challenging ossified regulatory and bureaucratic practices and being prepared to embrace change to workplace culture, a [challenge](#) confronting defence industry in Europe.

There is also a risk that the process of establishing the DDA, necessarily increasing uncertainty on key decisions, will slow down acquisition even as the 2026 NDS and IIP approach delivery and the process for the 2028 NDS and IIP begins.

Finally, it is yet to be clear that the government will significantly [increase defence](#) spending from the current trajectory, which rises modestly from 2.05 percent of GDP now to around 2.33 percent by 2033. Marles wouldn't commit to increasing defence spending during the press conference called to announce the DDA. Yet, this reorganisation will take both time—and money—to complete. With the challenge of funding AUKUS and building a

class of general-purpose frigates draining funding from other areas of Defence, it's clear that if the changes suggested are not accompanied by greater funds, then once again, the success of this new reorganisation may come under question.

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About the authors

Marc Ablong is an ASPI Senior Fellow.

Nathan Attrill is a Senior Analyst in ASPI's Cyber, Technology and Security Program.

Justin Bassi is the Executive Director of ASPI.

Christine Cabasset is an associate and former Deputy Director of IRASEC (Bangkok).

Linus Cohen is a Researcher in ASPI's Defence Strategy Program

Malcolm Davis is a Senior Analyst in ASPI's Defence Strategy Program

Eric Frécon is a visiting Fellow in ASPI's Defence Strategy Program.

Fitriani is a Senior Analyst in ASPI's Cyber, Technology and Security Program.

Richard Gray is a Senior Resident Fellow in ASPI's Defence Strategy Program.

Mark Harrison is Senior Lecturer in Chinese studies at the University of Tasmania and an expert associate of the National Security College of the Australian National University.

Mike Hughes is the Director of ASPI's Defence Strategy Program.

Carl Janz is a Research Intern in ASPI's Defence Strategy Program.

Madi Jones is an Analyst in ASPI's Defence Strategy Program

Joe Keary was a Senior Analyst in ASPI's Defence Strategy Program, seconded from the Department of Defence.

Colin Karotam is a Senior Resident Fellow in ASPI's Defence Strategy Program.

Rajeswari Pillai Rajagopalan is a Senior Resident Fellow at ASPI.

Courtney Stewart is the Deputy Director of ASPI's Defence Strategy Program.

Oscar Warren is the Coordinator of ASPI's Defence Strategy Program.

AI contributed no ideas to this report.

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- Future space based systems, including the US Golden Dome missile system, could exploit a greatly expanded range to DEW, given the abundant availability of solar power in space.
- China could be viewed as a threat to Australia's security, with its DEW capabilities increasing and being integrated with its general purpose forces for more extensive regional and global operations, including in the Pacific.
- While DEW capabilities are not a complete alternative to traditional military capabilities, including advanced missile systems, with the most effective defence strategy being a combination of traditional and modern capabilities.

Introduction

As the world's largest producer of advanced defence equipment, Australia Air Force Base in Queensland, that is home to the world's largest F-35 fleet. For the longest time, the Australian military's dominant Russian bomber wing, since its arrival in 2025, Operation Saker's fleet, had been viewed as a significant portion of the warfighting of the US nuclear triad. However, the introduction of the F-35, the world's most advanced fighter jet, has shifted the focus of the warfighting of the US nuclear triad. The F-35's advanced capabilities, including its stealth, speed, and sensor fusion, have made it a more effective platform for the warfighting of the US nuclear triad. The F-35's advanced capabilities, including its stealth, speed, and sensor fusion, have made it a more effective platform for the warfighting of the US nuclear triad.

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One hundred and eighty-one million, eight hundred and seventy-eight thousand, nine hundred and four dollars and eleven cents per day.



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