

Strategic Anxiety and Security Dilemma in the Indo-Pacific: A Defensive Realist Analysis of Australia–China Relations

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Abstract: This article explores the deterioration of security relations between Australia and China from the perspective of defensive realism, with a focus on the dynamics of security dilemmas. In the study, Australia's strategic shift has led to a feedback loop of misunderstanding, military escalation, and alliance dependence, particularly in the context of AUKUS, the South China Sea, and Taiwan (China). This article also emphasizes the limitations of defensive realism by integrating the perspective of ontological security theory, arguing that Australia's behavior is not only influenced by material power considerations, but also by identity anxiety and normative consistency with the Western dominated rule-based order. The report concludes by proposing institutional mechanisms, including military hotlines, transparency measures, and inclusive dialogue, as a way to manage strategic distrust and mitigate escalation.

1. Introduction

In recent years, Australia China relations have experienced significant turbulence, particularly in the areas of security and strategic policies.

This article attempts to interpret the changes in Australia's policy towards China from the perspective of defensive realism. Defensive realism is a theoretical framework that emphasizes that even when a country takes defensive actions, it may trigger a cycle of distrust and escalation. By examining Australia's changing perception of China, the evolution of its alliance behavior, and its strategic shift, this article explores how the security dilemma in the Indo Pacific region has emerged and deepened[1].

However, defensive realism, although powerful in analysis, does not mean that security dilemmas cannot be overcome. Australia's behavior is not only driven by structural power transfer, but also influenced by identity anxiety and normative commitments that shape its foreign policy decisions. Therefore, to fully understand the deterioration of Australia China security relations, it is necessary to consider how material interests are intertwined with ontological security and alliance dependence[2].

Through analysis, this article not only diagnoses the reasons for bilateral strategic tensions, but also outlines practical mechanisms to alleviate security dilemmas, providing a pathway for a more stable and predictable relationship between Canberra and Beijing.

2. Australia's Strategic Shift: From Hedging to Confrontation

This article adopts the theoretical framework of defensive realism to analyze the dynamics of China Australia security relations. According to this theory, the international system will only generate incentives for expansion under specific structural conditions[8]. However, state behavior is often a "security dilemma" formed by uncertainty and misunderstanding, especially due to the security or defense intentions of other countries. In this situation, a country's strategic measures to strengthen security unintentionally undermine the security of other countries, triggering potential escalation of distrust, confrontation, and conflict. However, defensive realism does not exclude the possibility of cooperation; On the contrary, this indicates that both cooperation and competition have inherent risks. Due to the inability to fully predict the consequences of conflicts in an anarchic environment, countries often find themselves wavering between confrontation and limited cooperation, providing opportunities for managing or even evading security dilemmas[5].

As a medium-sized country, Australia provides a convincing case study within this framework. It still heavily relies on the United States for strategic security, but this reliance is accompanied by ongoing anxiety about potential abandonment. For a long time, the fear of being "unprotected" has been affecting Australia's defense policy[11], especially in recent years as confidence in the United States' ability and commitment to defend its Asia Pacific allies has weakened.

The fragility of this alliance commitment has led Australia to adopt a more aggressive defense strategy, namely its threat as a challenger to the Western order as a 'liberal democratic country'.

This identity driven concern, known as identity anxiety[7], further reinforces Canberra's tendency to adopt a tough stance in foreign policy. Therefore, Australia defines China as a value level threat, not only due to material concerns, but also due to deeper normative insecurity related to the constantly evolving international order.

In addition, medium-sized countries such as Australia are at a structural disadvantage in major power competition. Although they have officially allied with superpowers, they need to bear more costs. The unilateral actions of the Trump administration, including withdrawing from multilateralism and imposing more security burdens on allies, have further reduced Australia's strategic freedom. Therefore, Australia's policy towards China has evolved into a more confrontational stance, reflecting a decline in strategic autonomy and an intensification of strategic polarization. This expands the possibility of misjudgment and strengthens the defense against the security dilemma that realism attempts to explain.

3. The Security Dilemma Spiral: Misperceptions, Escalation, and Strategic Overreach

3.1 Strategic Misperception: Interpreting China's Actions as Threats

The security dilemma in China Australia relations has been vividly reflected in the evolution of Australia's strategic perception of China, especially from the perspective of defensive realism. A noteworthy example occurred in September 2021, when Australia signed AUKUS agreements with the United States and the United Kingdom. The agreement focuses on strengthening military technology sharing and cooperation for nuclear powered submarines, and Canberra's intention is to contain China's growing influence in the Indo Pacific region. From Australia's perspective, AUKUS is a necessary strategic adjustment to China's so-called 'military expansion', which Canberra interprets as undermining regional security.

However, from Beijing's perspective, the AUKUS protocol represents a significant upgrade. Chinese officials have described Australia's most expensive defense project in history as a "US led effort aimed at curbing the rise of Asian superpowers," condemning it as a "wrong and dangerous" move that could "trigger an arms race"[3]. The serious asymmetry in this interpretation reflects a

security dilemma: one country's efforts to strengthen its own security are seen as a threat by another country, leading to a cycle of mutual suspicion and militarization.

The 2023 Australian Defence Strategy Assessment further strengthens this dynamic, emphasizing changes in regional power balance. The assessment acknowledges that the United States, which has long been seen as a unipolar leader in the Indo Pacific region, now has relatively little influence. This perceived vacuum, coupled with China's rise, has intensified Canberra's perception of threats. Therefore, China's perceived defensive actions, such as its maritime activities or claims in Taiwan (China) and the South China Sea, are increasingly being interpreted by Australia as revisionist or expansionist behavior. This cognitive framework not only positions China as a strategic competitor, but also as a disruptor of the free international order that Australia seeks to maintain.

In this context, Australia is increasingly relying on collective security mechanisms such as AUKUS and QUAD, which reflects both a decline in confidence in unilateral guarantees from the United States and a broader shift towards a preemptive balance.

Cognitive bias has also led to tough positions in diplomacy and ideology. Australia has explicitly targeted China's political influence activities in Australia through the Anti Foreign Intervention Act. In addition, the Australian government highly criticized China's human rights issues, and jointly issued a statement with Western countries to emphasize its ideological position. This value driven diplomacy has exacerbated tensions in China Australia relations. At the same time, in terms of public opinion promotion, mainstream media in Australia (such as the Sydney Morning Herald and The Australian) frequently report on the "China threat theory", shaping the public's negative perception of China. This public opinion environment limits the flexibility of policies and forces the government to adopt a more proactive defensive stance.

Under this premise, Australia is promoting regional cooperation mechanisms that exclude China, such as the "Pacific Acceleration Initiative" aimed at countering China's influence in the South Pacific. For example, after the failure of negotiations on a security agreement between Australia and the Solomon Islands in 2022, China signed a security cooperation agreement with the Solomon Islands, which sparked strong reactions from Australia.

3.2 Alliance Anxiety and Australia's Assertive Posture

The AUKUS agreement signed in September 2021 allows Australia to acquire advanced military technology from the United States, including the development of nuclear powered submarines for operations in the Indo Pacific region. Although the official statement of the agreement did not explicitly name China, the strategic logic behind it clearly indicates that Australia has taken a preemptive containment stance against China's growing regional influence.

It is worth noting that this strategic shift does not imply an unconditional alliance with the United States. Australia must maintain strategic independence within AUKUS to avoid its security policies being completely subordinate to US interests[4]. Evans warned against signing agreements with implicit "exchange" conditions that could undermine national sovereignty, indicating that Australia's deepening alliance posture may be partly due to passive followers and alliance anxiety, rather than autonomous strategic design.

This viewpoint is in line with the long-standing structural concerns in Australia's foreign policy. As mentioned earlier, the fear of being abandoned has shaped Canberra's defense thinking throughout history, particularly in the face of doubts about the reliability of the United States in protecting its Asia Pacific allies[11]. In this situation, Australia's reliance on the United States is both a security pillar and a source of strategic vulnerability. The uncertainty surrounding democratic values and international norms in the current geopolitical environment further exacerbates Australia's sense of insecurity, leading people to feel anxious about maintaining its identity as a "free and democratic

country" [9].

In addition to the AUKUS nuclear submarine program, Australia has significantly increased its defense budget (accounting for over 2% of GDP by 2023) and expanded the US military base in Darwin Port to strengthen its military presence in the South China Sea and Taiwan (China) Strait. Another example is Australia's establishment of the Cyber Operations Command and joining the US led 'Space Alliance', which sees China as a major adversary in cyber attacks and space. In 2022, Australia accused "Chinese backed hackers of attacking its critical infrastructure", further reinforcing the argument of confrontation.

This identity based concern, coupled with material insecurity, has prompted Australia to play a more radical role in the alliance structure than before. These actions highlight how identity, threat perception, and alliance dynamics are intertwined, strengthening Australia's increasingly hardline stance towards China.

3.3 Strategic Overreach: The Cost of Australia's Confrontation

Australia's shift from a traditional hedging strategy to an open confrontational stance marks a fundamental adjustment in its grand strategy. Although medium-sized powers typically rely on hedging to maintain strategic flexibility in a decentralized international system[6], the increasingly fierce bipolar competition between China and the United States greatly reduces the ambiguous space in Canberra. This transformation is not only reflected in the deep integration of Australia's security architecture led by the United States (such as AUKUS, QUAD), but also in its willingness to bear huge economic and diplomatic costs, which clearly deviates from its early pragmatic balance approach.

Australia's confrontational stance has had a serious impact on the economy, highlighting its prioritization of security over prosperity. Firstly, there is trade retaliation. After Canberra called for an independent investigation into the origin of COVID-19, China imposed punitive tariffs and prohibitions on Australian exports (such as barley, wine and coal), which is estimated to cause a loss of 20 billion Australian dollars every year. The corresponding Foreign Investment Review Board (FIRB) has blocked multiple infrastructure projects supported by China (such as revoking the 2022 Darwin Port lease) and reviewed key mineral transactions, reflecting securitization of economic policies.

The upgrade of Australia's defense posture has also exceeded the alliance's expectations, revealing a pattern of strategic overcorrection. For example, despite regional proliferation issues and domestic financial pressures, Australia's \$368 billion nuclear submarine program has relied on technology from the United States/United Kingdom for decades. The expansion of US military base access (such as Darwin and the Cocos Islands) and joint patrols in the South China Sea have been directly condemned by China as "provocations". At the same time, military spending on funding hypersonic missiles and cyber warfare capabilities has risen to 2.1% of GDP, far exceeding the typical incremental adjustment of hedging strategies.

The discourse and alliance building in Australia reflect a zero sum worldview, a strategic imbalance that transcends structural realism: while power shifts (such as the relative decline of the United States) explain the initial hedging, Australia's overreaction stems from identity driven insecurity[12]. By establishing its identity as a "Western liberal democratic country" during China's rise, Canberra adopted a frontline mentality and sacrificed the autonomy of a middle power to ensure the alliance. The result is a self reinforcing security dilemma: Australia's militarization confirms Beijing's "containment" narrative, prompting further measures to address Canberra's concerns.

3.4 China's Response: Perceived Encirclement and Ideological Opposition

China's response to Australia's increasingly tough diplomatic and defense posture is both critical and defensive, reflecting China's views on strategic encirclement and ideological confrontation. Beijing believes that Australia's deepening security cooperation with the United States and its allies, particularly through AUKUS, QUAD, and coordinated South China Sea operations, is evidence of a containment strategy aimed at curbing its peaceful rise.

China publicly condemns the AUKUS agreement as a destabilizing move in the region. After the statement, the Chinese Ministry of Foreign Affairs warned that AUKUS would "disrupt regional peace", calling it a "Cold War mentality", and accused the United States, the United Kingdom, and Australia of violating non-proliferation norms by "exporting nuclear technology to non nuclear weapon states". From China's perspective, this agreement not only increases the risk of an arms race, but also legitimizes militarized groups in the Indian Ocean Pacific region that exclude China.

China's academic and policy discourse also interprets Australia's defense expansion, such as naval construction, enhanced interoperability with the US military, and hosting of joint facilities, as part of a broader Indo Pacific strategic squeeze. These measures are not purely passive security strategies, but rather preemptive alliance choices based on distrust of China's political model.

At the same time, China firmly opposes Australia's involvement in South China Sea affairs, especially supporting the 2016 arbitration award and joint freedom of navigation operations. Chinese officials describe Australia's actions as "interfering in regional affairs" and "forming alliances with foreign powers to challenge China's sovereignty". Including Taiwan (China) issue, Beijing has consistently issued stern warnings in response to Australia's increasing parliamentary exchanges and verbal support. The Chinese Ministry of Foreign Affairs has requested Canberra to "cease all forms of official interaction with Taipei" and reiterated its commitment to the diplomatic status quo.

Domestically, China sees Australia's actions as part of a broader ideological front led by the West, aimed at maintaining hegemony and suppressing China's normative influence in regional governance. Although Australia is a medium-sized power, it plays a significant role in strengthening US containment in the Indo Pacific region, making it a 'strategic amplifier' rather than an independent actor. This framework reinforces China's position and reduces its willingness to trust or engage with Australia in traditional diplomatic forms.

Therefore, from China's perspective, Australia's increasingly militarized and ideologized foreign policy has shifted from strategic caution to provocation. On the contrary, this has strengthened China's own defense mobilization and completed a typical feedback loop of deep-rooted security dilemmas.

4. Identity-Driven Threat Perceptions and the Strategic Logic of Overreaction

The Australia China relationship vividly illustrates the core logic of security dilemma: one country's efforts to strengthen security are interpreted by another as aggressive, leading to mutual escalation. In an anarchic international system, even defensive measures are often misunderstood as offensive, especially in the absence of mutual trust and institutionalized communication. This spiral upward trend has become increasingly evident in Australia's recent strategic actions, particularly in the Indian Ocean Pacific region.

Australia's participation in programs such as nuclear powered submarines is seen domestically as a necessary measure to counter China's expanding influence. However, from Beijing's perspective, these measures represent a significant escalation of the situation. Chinese officials describe AUKUS as a measure aimed at containing China's "mistakes and dangers" and warn that it could "trigger an arms race" in the region [3]. This reflects a deeper asymmetry in threat perception: actions taken in the name of deterrence are seen as provocations by the other party, exacerbating the cycle of mutual

suspicion.

In addition to the AUKUS agreement, Australia has taken a series of diplomatic and military actions in the South China Sea and the Taiwan (China) Strait, further illustrating the dynamics of security dilemmas. On the South China Sea issue, Canberra has repeatedly emphasized the legal validity of the 2016 arbitration award and condemned "coercive and destabilizing actions". It has joined joint naval exercises with the United States and the Philippines to enhance freedom of navigation. Although these actions have not been officially recognized by the diplomatic department, Beijing believes they violate the "One China" principle and responds with official protests and warnings.

These actions are often interpreted as driven by Chinese ideology, reinforcing Australia's view that its actions are not only to safeguard national interests, but also part of the US led containment of China's rise. Australia's behavior is influenced by a deep-rooted ontological insecurity [10], namely the fear of losing its status and identity as a free and democratic country in the US led international order. Similarly, Zhang (2021) emphasized that Australia's policy towards China is not only driven by material threats, but also challenged by its normative foundation.

This identity driven security logic may help explain why Australia has taken an unusually tough stance compared to other medium-sized powers. Although countries such as Indonesia and South Korea have maintained a more confrontational stance, Australia has chosen strategy over adjustment and positioned itself as a "frontline" actor in the fight against China at the expense of economic relations and regional awareness.

5. Conclusion

The evolution of China Australia relations over the past decade indicates that security dilemmas may intensify when material threat perception is intertwined with ontological insecurity. This article analyzes from the perspective of defensive realism how Australia has shifted from hedging to confrontation, which is not only a response to China's material strength, but also deeply influenced by identity anxiety and alliance dependence. The vicious cycle of misunderstandings and overreactions arising from this deepens the strategic distrust between both sides and damages the prospects for mutual protection.

Although defensive realism provides a strong framework to explain the structural logic of escalation in anarchy, it underestimates the role of conceptual factors such as normative commitments, political identity, and alliance psychology. Australia's view on China's securitization cannot be solely attributed to checks and balances of power, it reflects a broader struggle to maintain its liberal democratic identity in an increasingly multipolar region. Similarly, China interprets Australia's actions as containment rather than deterrence, which further reinforces its perception of being surrounded and ideologically opposed.

In order to alleviate this self reinforcing cycle, both countries must recognize the dual nature of their security dilemma, namely the material and ontological levels. Strategic communication mechanisms such as military hot lines, mutual threat awareness assessments, and crisis management exercises are crucial for avoiding misjudgments. Equally important is to establish multilateral platforms that embrace and regulate diversity, encourage dialogue, and create space for medium-sized powers such as Australia to pursue autonomy while avoiding overcorrection.

Ultimately, solving the security dilemma between Australia and China requires more than just deterrence or strategic hedging. It requires rethinking how identity, trust, and institutional design intertwine with power in the Indo Pacific region. Only through this multidimensional understanding can a path towards stable coexistence and regional order be planned.

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