

# THE RETURN OF GREAT POWER RELATIONS

## WHAT CAN MIDDLE POWERS DO?

By Dr. Geoff Raby



## **ABOUT THE SERIES**

“Global Neighbours Insights” is a publication series introduced by the Vienna-based think tank Global Neighbours. The series seeks to provide balanced analyses and considered perspectives on international relations, global policy trends, and regional developments. With the aim of fostering mutual understanding across borders, it aspires to serve as a constructive resource for policymakers, business leaders, academics, and globally engaged citizens.



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## **Executive Summary**

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With China's inexorable economic ascendancy and the election of President Trump for his second term, the world order has changed profoundly. The Trump administration has made it clear that the world has returned to great power relations. Trump refers to the 'G2' between the United States and China as the basis on which global affairs will be managed.

But while these changes appear to have been abrupt, in reality the world order has over the past decade been bifurcating into two bounded orders. One is the traditional Western alliance led by the United States, comprising nations mainly with competitive political systems and which have tended to share values such as universal recognition of human rights. The other, led by China, has more authoritarian forms of political and social organisation, and place greater weight on economic development over more traditional human rights concerns. These orders are not closed blocs but are given coherence by their own sets of institutional arrangements. They can and do cooperate on issues of mutual concern over the global commons, but they also compete.

With the return of a world order based on great power competition, middle powers must reexamine and redefine their relationships with great powers to protect and advance their interests. Middle powers have an abiding interest in trying to hold the multilateral system together, but the reality is its effectiveness usually relies on the participation of the great powers. The demise of the WTO highlights the challenges for middle powers in the now highly contested international system. But while middle powers are constrained by the need to attract greater power acquiescence in, if not always active support for, agreed rules, they do have agency. Even small states can balance the competing interests of the great powers.

Middle power diplomacy will continue to have an influential role in maintaining stability in the international system and taking forward certain initiatives which may subsequently attract great power support. In addition to collective action, middle powers can exercise their agency by legitimising initiatives and institutions promoted by great powers.

In conclusion, this study suggests some core principles for an activist middle power agenda which could give coherence and lend greater weight to collective middle power activities to protect and advance their interests. A big challenge in this, however, is that states within the US bounded order will need to adopt a realist, less ideological approach to China, which may involve conferring legitimacy on Chinese-led institutions, such as the BRI. Adopting a realist foreign policy stance may be distasteful to some, but recognising the primacy of national self-interest will assist middle powers in navigating their way in a world of great power competition.

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## Introduction

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With the inauguration of President Trump in January 2025, US foreign and strategic policy shifted abruptly. It was not just a return to the policies of Trump 1.0 of treating the US's traditional allies and alliances casually, sometimes disdainfully, and tolerating some of the world's despots. Instead, it was a profound shift which absolutely prioritised great power relations over alliances, emphasised homeland security over external threats to US interests, although these still matter, and returned the Western Hemisphere to the centre of US foreign policy concerns. At the same time, the long-standing priority previously given to Europe was downgraded together with a reallocation of strategic attention and resources towards the Indo-Pacific.

The US intervention in Venezuela on 3 January 2026, the extraordinary rendition of President Maduro to the US, and subsequent more assertive demands on Denmark to concede the territory of Greenland to the US are the most recent manifestations of this profound shift in world affairs. Understanding the implications for middle powers has become even more urgent.

Trump is now signaling a clearer, at times more brutal, definition of 'America First'. This should come as no surprise for Trump has largely done what he said he would do. Through the twists and turns of his policies, and the so-called TACO ('Trump always chickens out'), a clear and consistent direction emerges: relationships are transactional. It is a zero-sum world in which the 'art of the deal' must always be to the benefit of the US. This is the agenda of Trump's political base, the Make America Great Again (MAGA) movement.

The sentiments driving this movement have a number of dimensions: globalisation is treated suspiciously and autarchy favoured; multilateral institutions are disregarded, ignored, de-emphasised, undermined and disrupted; tariffs and financial policies are instruments for forcing certain behaviour on other countries; bilateral deals are pressed on others, such as the US-Russia proposed peace plan for Ukraine or in Gaza, with the EU effectively relegated to the role of bystanders; and the 'art of the deal' crowds out traditional liberal concerns in international relations, such as human rights, freedom of belief and religion, just treatment of minorities, and respect for territorial integrity.

How middle powers position themselves in the new multipolar order has become a pressing issue for foreign and security policy. The diplomatic challenges for middle power diplomacy are substantial and differ between countries and regions.

This paper argues that middle powers now find themselves having to balance between a stridently unilateralist US, which places much less weight on alliances, and a revisionist China that is well advanced in shaping an international order that reflects its own priorities. The ascendancy of Trump 2.0 has accelerated changes to the global order, and hence the need for middle powers to position themselves in ways which protect and advance their interests. The paper outlines an agenda for activist middle power diplomacy in a multipolar world, while recognising the constraints.

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## **Is MAGA here to stay?**

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Some analysts still hankering after the fast-receding international liberal order, nurture hopes that it will return when Trump is no longer in power. In view of the disruption to the world order in Trump's first year in office, one can hardly imagine what changes will occur in the next three years. Absent Trump, it is most unlikely that the international order will simply default back to Trump ex-ante. Trump's disruption arises from deep, socio-economic stresses in the US, and as such are structural. In any event, with China's continued rise and growing weight in global affairs, the world system, with or without Trump, would have looked very different in 2029 than it did in 2025.

The three drivers of the MAGA movement are: Trump himself, immigration, America First in every domain, but especially the economic. While Trump is indeed a dominating, and the dominant force, others, such as Vice President J.D. Vance or Trump family members, could perpetuate his influence beyond his personal leadership. Concerns over immigration may abate if the current administration's policies are successful, but fear of 'the other' is always at hand to channel the politics of grievance. A consequence of this deeply rooted America First movement prevailing over US domestic politics is a return to an international order based on great power relations.

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## **G2 World**

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Early signs of Trump's reordering of US security and foreign policy priorities towards the Western Hemisphere and great power relations were dramatically displayed when, having flown across the Pacific to South Korea to have a bilateral meeting with President Xi Jinping, he flew back to Washington immediately after that

meeting, turning his back on all the other regional leaders gathered there to attend the APEC Leader's Summit.

And in case there was any doubt about the change in the world order after Trump turned his back on APEC, Trump declared on his social media post that he had a 'G2' meeting with Xi Jinping. Before the meeting, Trump posted on his Truth Social platform 'the G2-meeting was convening shortly' with President Xi. Afterwards he posted, 'My G2-meeting with President Xi of China was a great one for both countries'.<sup>1</sup>

A G2 was first proposed by US economist Fred Bergsten in 2005, as a way of managing the international economy. At the time, China rejected the concept. As a developing country, it did not want to assume responsibility for providing global public goods, preferring to work through multilateral agencies, such as the WTO or UN. Moreover, it felt that it would be locked into an unequal relationship with the US as a junior partner, when it sought equality, if not pre-eminence. It was also concerned about attracting negative reactions, especially among the developing world, or Global South.<sup>2</sup>

Although China has still not officially endorsed Trump's G2, following the Trump-Xi meeting the official position has been to stress Beijing's willingness to work cooperatively and constructively together on a range of issues affecting their bilateral relations without formally distancing itself from the G2 concept. Analysts in China tend to point to Trump's statement as being significant for shifting the relationship with China from one of competition and possible conflict to one of cooperation and treating China as an equal in global affairs.<sup>3</sup> International relations expert, Muktedar Khan wrote:

***"The Trump-Xi meeting in Busan is laden with structural consequences . . . By casting this meeting as a G2-Summit, Trump has effectively re-defined the global order".***

– 'Trump's G2 moment: Dawn of a New World Order?' *The Diplomat*, 7 November 2025

While this may well overstate the longer-term significance of Trump's resurrection of the G2 concept, its immediate and enduring significance is that China is being recognised as an equal with the United States in leading the global order.

<sup>1</sup> McDonald, Hamish, 'And then there were two,' *Inside Story* 6 November 2025.

<sup>2</sup> Adlakha, Hemant, 'Why China is (still) not interested in the offer of a G2,' *The Diplomat*, 13 November 2025.

<sup>3</sup> Armstrong, David, 'US-China power shift: A G2 world – Asia media reports,' *Pearls and Irritations*, 1 December 2025.

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## **The ‘Donroe’ Doctrine**

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Reflecting this shift in US strategic thinking, the US National Security Strategy (NSS) published in November 2025 provided a comprehensive statement of US security priorities and how the Administration viewed the world. It was a sharp break from that of previous US Administrations, including Trump 2017.<sup>4</sup>

At its core, it elevates the Western Hemisphere to the US’ top security priority. This so-called ‘Donroe’ Doctrine channels the early nineteenth century Monroe Doctrine. Essentially, it seeks to exclude other powers from the Western Hemisphere and demands that states within the region do whatever they can to roll back foreign influence, as has happened with the pressure for China-linked investors to divest in the Panama Canal and related port infrastructure. However, large regional powers, particularly Brazil, can be expected to continue to push back against US economic and political pressures to restrict Chinese economic and strategic influence. Still, Trump did not hesitate to interfere in Brazil’s internal affairs when he (unsuccessfully) sought to prevent former Brazilian President, Jair Bolsonaro, from being imprisoned.<sup>5</sup>

Early January 2026, US actions in Venezuela taken against the basic precepts of international law will have put all countries in the region on notice that the rules of the game have been changed in the US’s favour. At the same time, it has sharply divided the region. Argentina’s President, Javier Milei, has strongly backed Trump’s actions while Brazil’s President, Lula da Silva, has condemned them in equally strong terms. The NSS also states that the US will remain ‘engaged with Asia’, saying it will seek to maintain a favourable balance of power over China, rebalance trade, and support Taiwan given that its geographical location is important for maintaining open shipping lanes and access to the South China Sea. Gone, however, are the usual US concerns about defending democracy in Taiwan, and no mention is made of human rights or minorities such as those in Xinjiang and Tibet.

The NSS sets out clearly the philosophy that will guide US foreign and security policies – ‘flexible realism’. In a break with the past century of US foreign policy thinking, the paper states that the US seeks good relations with others and does not intend to ‘impose on them democratic or other social change that differs widely from their traditions and histories.’ In the starkest statement yet that the US has given up its long-standing belief in US exceptionalism and its mission to remake the world in its own image, the NSS states that ‘the affairs of other countries are our concern only if their activities directly threaten our interests.’

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<sup>4</sup> President of the United States, *National Security Strategy of the United States of America*, White House, November 2025.

<sup>5</sup> *BBC*, ‘Trump accuses Brazil of a “witch hunt” against Bolsonaro, 7 July 2025; *New York Times*, ‘Brazil defied Trump and won’, 24 November 2025.

Moreover, the paper clearly prioritises the nation state ‘against the sovereignty-sapping incursions of the most intrusive transnational organisations.

For middle powers, especially US allies, the demands are now unmistakable. They are expected to do more to defend themselves and their regions. European states are said to be at risk of becoming ‘unreliable allies’. The US wants to settle the Ukraine conflict without the involvement of Europe and seeks to end ‘perceptions of NATO as a continually expanding alliance’. The Kremlin will be delighted with all of this. It seems there is also a convergence between the White House and the Kremlin’s view that Europe is in ‘civilisation decline’, although for Trump and his advisers this is predominantly an issue of immigration.

The European populist right could have hardly wished for more encouragement from the White House. The Strategy sums up the choice for middle and small powers in the bluntest of terms:

*“... all countries should [decide] whether they want to live in an American-led world ... or in a parallel one in which they are influenced by countries on the other side of the world”.*

This demonstrates clearly that the US now regards the world order as being bipolar.

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## **A World of Bounded Orders**

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In 2019, leading realist international relations theorist, John Mearsheimer, suggested that great power rivalry in a multipolar world might resolve into a pattern of ‘bounded orders’. He posited that in such a world, stability might be achieved with states loosely coalescing around two or more leading states with whom they share important affinities. He was careful, however, to argue that these would not be mutually exclusive blocs which would inevitably lead to conflict between them as security could only be achieved by the defeat of the other.

When he initially suggested bounded orders as a theoretical proposition, as an offensive realist he also dismissed the idea quickly and returned to his main proposition that war between great powers was inevitable. At the time, he also did not identify the US and China as leaders of their respective orders. Subsequently, he has done so.<sup>6</sup>

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<sup>6</sup> Mearsheimer, John, ‘Bound to fail: the rise and fall of the liberal international order’, *International Security*, vol.43, no.4, 2019; Economy, Elizabeth, ‘China’s alternative order and what Americans should learn from it,’ *Foreign Affairs*, May/June 2024; Raby, Geoff, *Great Game On: the contest for Central Asia and global supremacy*. Melbourne, Melbourne UP, 2024, pp. 210-13.

A bounded order is where a group of countries align with a major power with whom they share values and broadly similar or compatible systems of political and social organisation. Importantly, there will be a set of transnational institutions, rules and norms that underpin respective economic and investment dependencies. Unlike mutually exclusive 'blocs', states can and will need to cooperate across orders on some issues affecting the global commons.

They also are different to more traditional spheres of influence which are defined primarily by their spatial relationship with the dominant power. Accordingly, they are not restricted to contiguous territories, can be global, and are defined by their mutually supported trans-national institutions. Moreover, states may overlap depending on the degree of convergence with the dominant power's norms, values and form of political and social organisation. Before the election of Trump, it would have been reasonable to suggest that the more democratic and liberal a state was the more closely it would align itself with US leadership. That may be less so now.

Following the events of 3 January 2026, many middle powers may begin questioning the extent of their alignment with US values and approaches to international relations. Previously, China's order may not have been a comfortable place for them, but the institutional arrangements China has been constructing may now start to look more attractive.

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## **China's Institutional Entrepreneurship**

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China been constructing its order in front of our eyes for over two decades. In the West, there was a myopic, 'nothing to see here' attitude as China set about deliberately crafting the institutional arrangements to underpin and give coherence to its order. It is now no longer possible for lesser powers to look away.

Together with its deep trade and investment flows, China has engaged in a systematic, deliberate process of trans-national institution building. Jointly with Russia, from the early years of this millennium, it led the institutionalisation of Eurasian multinational security cooperation with the Shanghai Cooperation Organisation (SCO).<sup>7</sup>

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<sup>7</sup> Raby, Geoff, *China's Grand Strategy and Australia's Future in the New Global Order*, Carlton, Melbourne UP, 2025 (2<sup>nd</sup> edn), pp. 37-40.

Similarly, while Russia initiated early cooperation among several emerging economies as a forerunner of the BRICS, China has been the main driving force. The BRICS Bank, renamed as the New Development Bank, is headquartered in Shanghai. 'De-dollarisation' of international payment settlements has emerged as a priority objective for the BRICS, attracting a great deal of international interest, especially among the Global South.

The highest profile initiative has been the Belt and Road (BRI) which was originally intended to re-cycle China's massive foreign reserves and excess infrastructure construction capacity. It has since become the principal means by which China orders its foreign trade and investment priorities. The BRI has been pursued on a hitherto unimaginable scale, but it has also been controversial with accusations of 'debt-trap' diplomacy, waste and corruption. China also established the Asia Infrastructure Investment Bank (AIIB) to complement the BRI.

China holds regional neighbours close to itself through a delta of free-trade agreements. The first was with ASEAN in 2003 which, in 2025, was renewed, expanding into new areas, including digital trade and AI. Seeking to take geostrategic advantage from the weakening of Russia's position in Central Asia post the invasion of Ukraine, China has struck several bilateral security and military arrangements with the Stans<sup>8</sup>, previously the almost exclusive preserve of Russia. In 2023, China convened the first summit of the C+C5 group (China plus the five Stans), with a permanent secretariat established in Xi'an intended to coordinate security issues between them. Russia was excluded.

The international system, therefore, now involves heightened competition between multilateral and a host of plurilateral and mini-lateral institutions. Increasingly, these are aligned with either the US-led or China-led orders.

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## **Whither Multilateralism?**

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In this world of bounded orders, legacy multilateral institutions associated with the UN and Bretton Woods will still play a role in addressing concerns over the global commons. Climate change and arms control are two obvious areas. Global rules on AI, space and the polar regions might be others. Efforts are also continuing in the WTO to maintain some continuity in global trade rules, despite the US' open disregard.

The positions states take in multilateral institutions, however, will be increasingly shaped by their respective orders.

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<sup>8</sup> The 'Stans': Kazakhstan, Kyrgyzstan, Uzbekistan, Tajikistan, Turkmenistan

China still sees advantages for itself in certain parts of the multilateral system as a means of simultaneously advancing its interest while deflecting criticism of its behaviour. China remains a significant participant in the UN system: a major funder of peacekeeping and holds many senior positions across the UN's various organisations. China is well positioned to continue to align its order with its objectives in multilateral institutions, the principal features of which are to preserve territorial integrity and to emphasise economic development over the West's liberal, humanist concerns.<sup>9</sup>

In 2024, a report by the Washington-based Centre for Strategic and International Studies, found that the Global South was increasingly aligning with China in UN bodies, while US influence continued to wane.<sup>10</sup> In the year since Trump moved back to the White House, these trends have become more pronounced. The abrupt abolition of USAID, for example, has been a major factor in weakening the US' actual and moral authority.

China has successfully sought positions as head of UN specialised agencies to align their activities with BRI objectives and to continue to restrict Taiwan's involvement in such organisations. In 2025, China held 4 out of 15 specialised agency heads and nine deputy positions. The African group, with 28 per cent of UN votes, has been a key to expanding China's representation and influence in the UN.<sup>11</sup> African states have also been substantial BRI participants and beneficiaries.

The future relevance of multilateral institutions is probably more challenged today than at any time since the end of the Second World War. Nevertheless, middle and small powers will continue to look towards multilateralism to provide some restraint on great powers.

But in important areas, such as trade and arms control, the multilateral system is in secular decline in terms of its capacity to influence the behaviour of powerful states.

A shift is underway from a hegemonic multilateralism to one which is pluralistic, contested and hence negotiated. This is well advanced within the trade field, where the WTO has been largely marginalised, replaced by a plethora of bilateral, regional and mini-lateral arrangements which set norms and make rules.

China senses great opportunity at this time of realignment of the international system. As Xi Jinping told Vladimir Putin in March 2023:

***“Right now, there are changes in the world – the likes we have not seen for 100 years – and we are the ones driving those changes together”.***

– Xi Jinping to Vladimir Putin, Al Jazeera, 22 March 2023

<sup>9</sup> Although China is a signatory to the UN's Declaration of Human Rights, China rejects both its universality and its indivisibility.

<sup>10</sup> Runde, Daniel F. and Austin Hardman, 'Great Power Competition in the Multilateral System', CSIS, Washington, 24 October 2024.

<sup>11</sup> Runde and Hardman (2024).

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## Xi Jinping's Global Dream

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China's soft power took a bashing, especially in the West, when it flirted with what became known as 'wolf warrior' diplomacy. This marked the decisive break with Deng Xiaoping's guiding maxim for conducting China's foreign policy: bide your time, hide your strength. Wolf warrior diplomacy with its confrontational style reflected Xi Jinping's view that China's time had finally arrived. China could and must be more assertive internationally. The approach was attenuated, however, when it became obvious that it had been counterproductive. China has since sought to recover its standing, starting with the Global South. In 2022, two major policy initiatives were announced to underpin Xi Jinping's vision of a world order based on his principle of a 'global community of shared future'.<sup>12</sup>

The Global Development Initiative (GDI) was launched in 2022. Intended to align with the UN's Global Development Agenda, it serves to emphasise China's relative strengths in digital and green technologies suitable for adoption by poorer countries. The Global Security Initiative (GSI), also introduced in 2022, is based on absolute sovereignty and non-interference, rejecting unilateralism and bloc-security alliances. In May 2023, the Global Civilisation Initiative (GCI) was announced. It emphasises diversity of civilisations and defines human rights as relative to a particular country's conditions.

Beijing claims that over 100 countries have associated themselves with these initiatives. China has stepped up its bilateral training and technical assistance programs under them and linked them to the BRI. Reflecting Beijing's broader ambitions, Africa has become a particular focus of attention.<sup>13</sup> This increasingly contested and competitive global order opens opportunities and challenges for middle powers.

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<sup>12</sup> Costigan, Johanna M., 'China's vision of world order', *China File*, 7 December 2023; Wolff, Stephan, 'China's new world order: looking for clues from Xi's recent meetings with foreign leaders', *The Conversation*, 19 April 2024.

<sup>13</sup> Economy, Elizabeth, 'China's alternative order and what America should learn from it', *Foreign Affairs*, May/June 2024.

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## **■ Middle Power Diplomacy in a World of Bounded Orders**

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The shape of the new multipolar world of bounded orders has emerged more quickly than most would have expected. For middle powers, however, it presents a well-worn path to follow, requiring skilful and patient diplomacy. For the Global South, several academics have been urging a policy of 'Active Non-alignment' (ANA): in a new era of great power competition, states can 'hedge their bets' or 'play the field', refusing or resisting to align themselves totally or even to a substantial degree with one or other of the great powers.<sup>14</sup> In other words, middle powers have agency. On specific issues, they can align with one or other great power; they can also form coalitions around specific issues to attract great power support for their interests.

### **Adroit ASEAN**

ASEAN has been quite explicit in not wanting to choose and importantly not wanting to be forced to choose between either of the great powers. Some ASEAN states, namely Cambodia and Laos, have clearly chosen China, but for the remainder, studied neutrality prevails. Singapore, which is perhaps the most pro-US in ASEAN, makes it clear that it wants continued US military presence in the region, while urging the US to adopt a more accommodating stance on China's expanding power and influence.

### **Small States also have Agency**

Even small Pacific Island states have demonstrated agency in balancing their interests between an increasingly active China on one side and Australia and New Zealand, as proxies for the US, on the other. Many Pacific Island states have welcomed Chinese investment in infrastructure and prestige projects such as sports stadiums and parliamentary buildings, and technical support for policing and security. Australia has directly competed with China, making aid and training for security services contingent on Pacific governments not signing similar arrangements with states outside the Pacific community (namely China). But Vanuatu and the Solomon Islands have pushed back against this conditionality. They want to keep their dance cards open.<sup>15</sup>

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<sup>14</sup> Heine, Jorge, Carlos Fortin and Carlos Ominami, *The Non-Aligned World: striking out in an era of great power competition*. Cambridge, Polity Press, 2025.

<sup>15</sup> Macdonald, Hamish, 'Pacific Headwinds', *Inside Story*, 2 December 2025.

## Europe as a Balancer

Europe is far less dependent on the Chinese market than either ASEAN or Australia. For instance, China as a share of Austria's non-EU exports is of the order of 2.5-3.0 per cent, although China is Austria's second largest non-European market. For the EU, China accounts for about 8.5 per cent of total exports but is the EU's third largest export market. For the UK, China accounts for only 5-6 per cent of total exports. Accordingly, the EU and UK have much more freedom of manoeuvre than countries like Australia.

The EU is also much more important to China as a market and destination for FDI. EU imports from China are significant and causing increasing pressure on its key manufacturing sectors, such as autos. Europe remains a major destination for Chinese FDI, in 2024 accounting for 19 per cent of global Chinese investment. It is, however, spread unevenly among EU member states with investment in Germany and France falling in recent years, while investment in Hungary has risen strongly, highlighting the geoeconomics of Chinese investment. Even if the bulk of Chinese FDI going to Europe is from privately owned Chinese firms, decisionmakers are nevertheless closely attuned to which countries are deemed by Beijing as being 'friendly' and those which are 'hostile'.

Within the EU, differences between member states are deep. China has shown it can and will reward and punish states depending on how Beijing views their relative 'friendliness' towards it. Developing a coherent EU position will become increasingly problematic without a re-thinking of Europe's approaches to China. The tenor of EU-China relations in a plural global order may become key to whether global governance devolves into rival hostile blocs, or evolves into a stable, negotiated pluralism.

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## **Geoeconomics is back**

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For middle powers, geoeconomics – punitive trade measures, discriminatory investment, controls on technology – are a major challenge without a strong framework of multilateral rules and disciplines. Both the great powers exercise economic coercion for a variety of political ends: to influence and shape the international behaviour of other states, to satisfy vocal domestic political constituencies, or most commonly both. Middle powers, therefore, need to be prepared to offer greater mutual support to each other to blunt such behaviour by great powers to the extent that domestic politics permits. For all middle powers, when dealing with China, it needs to be recognised that trade and investment instruments are a core part of China's statecraft.

Since the inauguration of Trump 2.0, the US has made economic coercion a major instrument of its statecraft too. With the US having seriously undermined WTO disciplines, China will feel even less constrained to seek to achieve its geopolitical objectives using economic means.

Australia, for example, was subjected to China's economic coercion during the latter part of Trump 1.0 in retaliation for Australia's call for an international investigation into the Chinese origin of Covid-19. This led to a collapse in the bilateral relationship. It came, however, after years of rising mutual mistrust between the countries.

### **Australia's Dilemma**

Middle powers need to maintain maximum flexibility when negotiating between the great powers. Australia, however, is an example of how a middle power, by viewing the world in excessively binary terms, has increased its vulnerability and made itself less, not more, secure, contrary to the intention of its current policies.

Australia is itself in a diplomatically tight spot when balancing its interests between the United States and China. Canberra has made it abundantly clear that it is and will remain closely aligned with the US, especially in its competition with China. Australia has under the current government and in response to what it asserts to be profound 'changes in Australia's security environment', doubled down on its security relationship with the US.

At the same time, it has stated publicly that it wants the economic relationship with China to grow, as the country is also home to a Chinese diaspora of some one million people.

The cornerstone of Australia's security relationship with the United States has been the ANZUS Treaty (1951) which established Australia as a formal alliance partner of the US and has long been given much greater weight by Australia than for its American counterpart.

It contains no more than an obligation to consult in the event of a military attack on either party. It does not contain anything like Article 5 of NATO with its mutual defence obligation. Australian conservatives have sought to present it in similar terms as Article 5, but without any support from the US, a reality borne out by Washington's refusal to assist Australia under the auspices of ANZUS in various crises with Indonesia in the 1960s and 1990s.

Accordingly, Australia has long been anxious about how dependable the US would be in the event of a threat to Australia's security. This has led successive governments on either side of politics to pay Australia's dues to the US in the hope that *in extremis* the US will prove to be a reliable ally.<sup>16</sup>

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<sup>16</sup> Curran, James, 'Continental Gift: Trump and Australia's place in the world', *Australian Foreign Affairs*, issue 23, March 2025.

Australia's economic wellbeing on the other hand is directly and materially dependent on access to China's market. China accounts for about 30 per cent of Australia's exports. For the time being, Australia has the luxury of China being heavily reliant on its iron ore and energy: Australia consistently supplies around 70 per cent of China's sea-borne iron ore imports; is also the single largest supplier of LNG, accounting for over a third of Chinese imports annually; and the main source of metallurgical coal, accounting for about one fifth of China's imports. In turn, Australia's total exports with China are concentrated on these three commodities which account for 75-80 per cent of China-bound trade. Australia is therefore highly vulnerable to China's efforts at long-term supply diversification.

Despite Australia's strategic posture being distinctly at odds with its commercial exposure, by and large Australian governments have been able to manage both great power relations. Apart from when the conservative government of Prime Minister Morrison oversaw a complete breakdown in the bilateral relationship, Australia's trade with China has continued to grow apace with China's economy.

Arguably, Australia has managed to juggle its relations with the great powers to advance its interests more by good fortune – China's thirst for its resources – than skilful diplomacy. As China becomes less dependent on Australia's resources, Canberra's room to move in balancing relations between Beijing and Washington will become more constrained and Australia's vulnerability to China's use of economic measures to shape political outcomes it desires can be expected to increase.

Australia will need to find a way to reposition itself between the great powers. In this it can draw on the experiences of its regional neighbours and develop a more independent foreign policy than it has pursued over the past twenty years. At the same time, Europe might draw useful lessons from Australia for what not to do now that northern Atlanticism is receding.

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## **Limits to Middle Power Diplomacy**

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Some countries such as Australia, Canada, Britain and the Scandinavians put middle power diplomacy at the centre of their foreign policy settings. Their collective activities have contributed to some significant outcomes such as internationally agreed disciplines on land mines, small arms controls, and chemical weapons. Australia and Indonesia together drove the Cambodian peace settlement to a successful conclusion.

Australia initiated and led a group of mainly developing countries to have agriculture included in global trade rules. And there are many more examples where great powers have been happy to yield leadership to middle powers temporarily.<sup>17</sup>

But it has also been the case that middle powers have oversold their achievements and claimed to be architects of the international system when, in reality, their role has been mainly procedural: 'drafting language, hosting meetings, or executing decisions already shaped by great-power bargains'.<sup>18</sup>

Rather than create new institutional arrangements, middle powers tend to legitimise them which provides leverage to gain benefits and to help shape institutions led by great powers. One exception to this was APEC, which was created by Australia and South Korea and which major powers eventually joined on the terms established by its middle power creators.

Great powers look to middle powers to lend depth and legitimacy to institutions that have been shaped to reflect great power interests. The benefit for middle powers being early movers is to secure a place in the emerging institutional architecture and access to channels to shape outcomes that may advance their national interests, where they cannot achieve such outcomes by acting alone.

With the new multipolar order forming into competing parallel orders, the question for middle powers is whether to become 'early legitimisers' of emerging new institutional arrangements and be able to shape their development. The choice can be particularly difficult for countries like South Korea which has been deeply embedded in the US-led ecosystem. If, for example, the BRICS agenda around finance, currency and digital technologies develops significantly, the decision by South Korea not to join could eventually entail significant costs.

A similar conundrum faces Europe: whether to join and participate in shaping and securing benefits from new institutional arrangements led by China. The BRI was an early test with some member states like Hungary joining and today achieving considerable benefits in terms of FDI from China. Italy also was an early mover with the BRI, but under considerable pressure from the US, the new Italian Government withdrew from BRI.

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<sup>17</sup> Evans, Gareth, 'Australia's middle power diplomacy matters,' *East Asia Forum*, 13 January 2025.

<sup>18</sup> Robertson, Jeffery, 'Middle power moves: South Korea and the future of global governance.' *Pearls and Irritations*, 24 November 2025.

Europe can be seen to be in a similar position as South Korea. Having been so deeply enmeshed in the US ecosystem, participating in Chinese-led institutions will serve to significantly legitimise them in competition to those of the US-led order. Although such participation need not, nor should it be, an either/or proposition, the prestige of European states participation would add further to the bandwagon effect.<sup>19</sup> Were some major European states to sign on to the one or more of the many memoranda of understanding that comprise the BRI, this would send a powerful message to Washington that China's order was in the ascendency.

Europe, perhaps uniquely, therefore, has considerable strategic leverage over both bounded orders. Should Europe, on the one hand, align reflexively with US containment strategies, China's bounded order will consolidate further and with fewer constraints. If, on the other hand, Europe engages from a position of strategic selectivity, it possesses substantial capacity to shape the norms within and, most importantly, between these orders.<sup>20</sup>

With Trump 2.0, however, the issues of early mover and which order to become actively involved in may be a less onerous political problem for middle powers than previously. Trump does not seem to understand or care about US exceptionalism. As clearly articulated in the NSS, it is America First, not US primacy that matters. Washington above all wants to get its way. Geopolitical competition between the great powers will remain, but the actions of middle powers may not be seen and judged exclusively within this framework. Trump's transactional approach may have opened up a much bigger space for middle powers to exercise agency according to their own independent foreign policy.

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## **A Policy Agenda for Middle Powers**

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Judging each issue in terms of a state's own national interests the following would comprise an activist middle power agenda over which states could come together, cooperate and seek to shape global outcomes: countering deglobalisation; reforming multilateral institutions; resisting climate change; and strengthening global action on inequality.<sup>21</sup> These can be thought of as the Core Principles of an Activist Agenda.

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<sup>19</sup> Papa, Michaela, 'US Policy on BRICS: a temporary fix or a strategic reset?' *Australian Institute of International Affairs*, 14 March 2025.

<sup>20</sup> The author is indebted to an anonymous reviewer for this salient observation.

<sup>21</sup> These are essentially the policy 'principles' for active non-alignment suggested by, Heine, *et. al. op.cit.*

For European states and countries like Australia and Canada, the major policy change required for effective middle power diplomacy will be to reset relations with China onto a cooperative and constructive basis. To do that, they need to develop a realist foreign policy that recognises that China, like all great powers, will use its assets to advance its own interests. And that it will at times behave badly. Middle powers can cooperate to impose costs on bad behaviour.

**The basic principles of independent middle power diplomacy should include:**

- To encourage US continued engagement in all hemispheres
- To view China as a strategic partner, not competitor
- To deepen engagement with China, not containment
- To identify a wide range of areas for mutual cooperation
- To hone a statecraft in dealing with China which draws together elements of diplomacy, military cooperation, emergency relief, disaster management, cooperation on health and pandemics, third-country technical assistance programs, business, arts and culture, and technical and scientific cooperation.

In practice, this would require recognising the legitimacy of China's dominant role in the East Asian region; recognising the legitimacy of its need for security and maintaining territorial integrity; acknowledging the legitimacy of different forms of political and social organisation in different countries; participating in institutions of China's order according to respective national interests; and reaffirming principles of non-interference, unless authorised by the UN Security Council.

Middle powers should also seek to re-energise multilateralism, leveraging off the great powers' need for some multilateral arrangements to advance their respective interests. At both the rhetorical and substantive levels, it is helpful for middle powers that China continues to stress the importance, if not the primacy, of the legacy multilateral institutions.

It falls not only to national governments to cooperate to sustain a viable multilateral system, but also to other actors devoted to bridge-building between orders and states with the aim of defending practical multilateralism. At a time of great-power gridlock, organisations like Global Neighbours can sustain essential habits of cooperation through 1.5-2 track diplomacy upon which any future effective multilateralism must be built. APEC grew out of just such activities led by PECC (Pacific Economic Cooperation Council).

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## **Conclusion**

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The world order has been recast not only by China's inexorable economic rise and institutional, technological, military and diplomatic ascendancy, but by a deep structural shift in US domestic politics which has drawn politicians away from traditional liberal internationalism. This is also occurring across Europe. Middle powers now have to navigate a world of bounded orders, where their greatest influence comes mainly from conferring legitimacy on different orders and their institutions. In doing so, they should seek to work in concert to advance the Core Principles of an Activist Agenda. This will involve adopting a realist approach to international relations, not casting the world in Manichaeian terms of democracy versus autocracy, and recognising the primacy of national self-interest.



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