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**Australia, India and
the New World Disorder**

by

Peter Varghese

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Australia, India and the New World Disorder

Peter Varghese

I want to provide a personal perspective on Australia, India and a global outlook which is fundamentally changing in terms of both geopolitics and economics, the twin shapers of any strategic environment.

Much of what I have to say will be speculative because we are at the end of one era and we do not know what comes next. The biggest shift has been in the way the US is now positioning itself. But this is not just a US or even a Trump story because we are also dealing with broader global and regional trends and the way in which culture, politics and aspiration come together.

We are now in a world where romantic nostalgia and myth have a powerful hold on our imagination. The comforting myths of past glory, of greatness that has been stolen. Look around at how a sense of lost glory currently shapes the narratives of great powers: China's century of humiliation, Putin's appeal to Russian revanchism and Trump's 'Make America Great Again'. India is not completely exempt from this trend.

History in the cause of myth and ideology diverts us from what history should teach us: that all policy has a long historical tail; that rarely do we face an issue which comes without a historical echo, sometimes loud, sometimes faint; that to understand behaviour you must understand the history behind those actions and that the surest path to wrong-headed policy is through historical amnesia, or worse still, historical invention.

*Peter Varghese AO, distinguished Australian diplomat, former Australian High Commissioner to India (2009–2012), delivered a lecture on 'Australia, India and the New World Disorder', at the India International Centre, on 23 May 2026. He was welcomed by Amb. Shyam Saran, President IIC. The lecture was followed by a panel discussion, with moderator Indrani Bagchi, CEO Ananta Aspen Centre; and discussants Prof. Amitabh Mattoo, Dean, School of International Studies, Professor and Chair, Centre for International Politics, Jawaharlal Nehru University; and Gopal Baglay, former Indian High Commissioner to Australia.

So let me start with a bit of history about the anchors of Australian strategic policy. Since the Second World War, Australian strategic and foreign policy has rested on **three pillars: multilateralism, the US alliance and regional engagement**.

I am not of the view that this framework is now utterly redundant. But it is certainly the case that each pillar needs substantial recalibration and re-weighting to deal with not only the challenges of the Trump Administration 2.0, but—even more importantly—the structural shifts in the global and regional environment which predate Trump.

These include:

- The rise in China of a peer competitor stronger across all power gradients than any the US has previously faced.
- A gradual shift to a more multipolar world but with a bipolar central axis, which will be with us for some time to come. Indeed, we are likely to live in a more bipolar world before we see a truly multipolar world.
- The effective abandonment in the West of the so-called ‘Washington Consensus’ as economic policy best practice built on globalisation, the merits of an open economy, deregulation, privatisation and other market reforms. These policies largely succeeded economically but failed politically, especially in the West.
- The salience of identity and other cultural issues, in a way which underlines the aphorism that all politics (and I would add, much economics) is downstream from culture. This is the basis of Trump’s political success and resilience.

Rethinking our Policy Assumptions

These trends challenge our policy assumptions. They amount to a bonfire of certainties and signal the end of an era that now looks like the salad days of Australian foreign and strategic policy. They demand a rethinking of our policy assumptions. So, what might such a rethink look like?

On the **US alliance**, my view is that it would be an act of self-harm to abandon it. But it would also be an act of self-delusion not to recognise that it needs substantial

reframing. We need to see the US alliance in more transactional and less sacramental terms.

Historically, Australia has viewed the US alliance as bringing together, more than any other single relationship, our interests and our values. We can still make a case on interests, although that is getting weaker, but at least under Trump much less so on values. We should not underestimate what a rupture that signals.

- Not least because Australia, more than most countries, must operate at the intersection of interests and values.
- After all, the reason we do not want a Chinese hegemony in our region is ultimately because of the character of its one-party authoritarian political system.
- Remove values from the way we think about China's strategic ambitions and what do we have left? It is not as if Australia, unlike India, has a problem with hegemony per se. We were entirely comfortable with US global hegemony, and indeed benefitted greatly from it.

On values, as on so many other aspects of the Trump administration, we simply do not know where the settling point will land, if land it ever does. Suffice to say that Trump is no classic liberal democrat.

Various people in his Administration and beyond will attach doctrines and strategies to what Trump does. Maybe coherence will be revealed but for now it looks like a presidency of venality, personal and political. And a performative style which thrives on manufactured drama.

Yet few of us are quite willing to concede that there is nothing more to see than venality and manufactured drama. So, we search for answers to bigger questions, asking what is now the animating feature of US foreign and strategic policy?

- Is it still the maintenance of global strategic primacy?
- Is it a hemispherical view of primacy, coupled with a return to spheres of influence?

- Does Trump see US power primarily through an economic prism, with military power more a lever than the foundation stone? Indeed, President Trump often gives the impression that exercising leverage is an end in itself.
- What does the US want from the US–China relationship? Trump now speaks openly of a G2 but what does he mean? And where would a G2 leave Australia or other countries such as Japan and India?
- Does the US look to manage China’s rise or thwart it?

The answer to each of these questions has serious implications for Australia and India and they require us to think more deeply than we ever have about where our interests with the US converge and where they differ. Under Trump, the latter list is growing.

How Australia constructs those two lists will, in my view, be shaped by the following considerations:

- US primacy has been an unalloyed boon for Australia, but it is not a vital Australian interest. Australia will survive even if the US loses primacy. And yet Australian strategic policy is tethered to the upholding of US primacy.
- Our defence policy has drifted between a Defence of Australia (DOA) doctrine and a reversion to ‘forward defence’. It needs, in my view, to return to a DOA policy.
- But even though the concept of defence self-reliance goes back to the 1970s, Australia has never invested enough in it to make it happen. That is partly because Australian governments and the Australian community have never really believed that it is possible to defend Australia, which is why they have clung limpet-like to the belief that the US will always be our protector, and to ensure that is the case we must integrate our force structures ever more closely.
- Our deep sense of vulnerability thrives despite our moat-like continental geography, the advantages of distance and a G20 economy; all factors that should engender a degree of strategic confidence, not anxiety.
- This is the psychological barrier that holds back Australian strategic policy. Unless we overcome the view that we are incapable of defending ourselves, we

have no hope of putting in place the policy and capability mix we need to protect our sovereignty. This is a mindset challenge even more than a strategic policy or force structure challenge.

- To get to self-reliance, we will have to spend more on Defence but too much of the current debate is fixated on a percentage of GDP.
- And a DOA doctrine must rest within a broader and layered strategy for regional security. Here we want to see a China-constraining balance of power in the Indo-Pacific, but not one which is designed to thwart China—by which I mean to actively impede its economic growth—because that is not in Australia’s interests. A powerful China presents many challenges, but a weakened and unstable China may be much worse.
- US strategic engagement in the region is vital to these objectives and a loss of confidence in the US as a strategic partner would be catastrophic and a possible trigger for nuclear weapons proliferation.
- Indeed, the nuclear non-proliferation regime currently faces its biggest challenge since the negotiation of the NPT (Treaty on the Non-Proliferation of Nuclear Weapons, commonly known as the Non-Proliferation Treaty). The combination of declining trust in the US as a defence guarantor and the rising emphasis on building greater deterrent capacity could well lead to a new burst of nuclear weapons proliferation.
- Australia gave up its flirtation with nuclear weapons in the 1970s. Can we be confident that we will never have to revisit the issue?
- Indeed, the whole question of extended nuclear deterrence needs a rethink. Do we really believe that the US will sacrifice San Francisco to save Sydney? And if we do not, where does it leave us in the face of a nuclear threat?

I have focussed on the US–China relationship because it is the central axis around which the security of the Indo-Pacific turns. Also, because, for all the talk of multipolarity, the reality is that the power gap between the US and China on the one hand, and the emerging great powers such as India, Japan, Indonesia and Brazil on the other, will remain wide for some time. Indeed, the gap is growing, not narrowing.

The most recent US National Defence Strategy strikes a relatively balanced view of China.

- Its commitment to a collective balancing of China will reassure countries that worry that the US was embarking on a unilateral balancing of China, although that worry has by no means disappeared.
- The language of balance and deterrence, rather than US primacy, is welcome, as is making it clear that the US is not out to humiliate or strangle China.
- However, as with everything to do with US policy in this Administration, the question is to what extent do policy statements such as the National Defence Strategy reflect the view of the President.
- Increasingly we are seeing a presidency which is detached from the policy-making machinery which has itself been weakened: witness the gutting of the National Security Council which is designed to weigh up options and reconcile differing views across policy agencies.
- We are no longer dealing with a system of carefully curated policy options but one which seems to turn on whatever the President thinks on any given day or even hour. The attack on Iran is a prime example.
- This is the opposite of grand strategy, as is the embedding of unpredictability as a feature of policy-making.
- Slogans do not a policy make, and this approach to policy-making is causing the greatest concern among the allies and partners of the US.
- Once the greatest force multiplier of US power, allies are being forced to rethink their reliance on US leadership. The greatest rupture has occurred in the trans-Atlantic alliance, but it would be heroic to assume that allies in the Indo-Pacific will not also be affected.
- Transactions may be the currency of diplomacy. But an alliance weighed only in transactional terms can have an insidious effect. An alliance needs an element of

trust and a measure of reliability. Once trust and reliability are lost, they are next to impossible to revive.

- What we are seeing now in the region is a quiet exploration of alternatives; of what Plan Bs may be necessary to survive in a very different world. This will likely take decades to play out.
- Part of this, in my view, will be a quest for more strategic autonomy by countries, including US allies, which up to now have been content to bandwagon on the strategic weight of the US.
- This strategic autonomy is likely to be built on an increased investment in defence and deterrence, an expansion of non-exclusive strategic relationships and an instinct to keep as many options open as possible.
- This is not dissimilar to India's longstanding approach. Up to now it was not considered feasible for a US ally to move very far in such a direction, France apart. But that calculation is changing.

India

Amidst all of this, India has found itself in a difficult position. A quarter century of so-called 'strategic altruism' towards India by the US came to a dramatic end with the imposition by the US of 50 per cent tariffs.

- Seen from the distance of Australia, this does not signal the end of the US–India partnership nor is it likely to go back to where it was, and the rupture has had the effect of India doubling down on strategic autonomy as well as tactically recalibrating its relationship with China.
- More likely than not the US–India relationship will revive some of its balance but not without hesitations. Signs of repair are already evident in recent trade announcements. For India, the US will remain its most important relationship from an economic and technological perspective. But the idea of a quasi-alliance relationship, always a fantasy, is now out of the question. And the breach of trust will seep into many other areas of the US–India relationship.

- Should the partial repair of the US–India relationship turn out to be not the case, it will challenge the very conceptual basis of the Indo-Pacific as a coherent strategic system. We would be back to the Asia-Pacific with India and South Asia on the periphery. For Australia, the Indo-Pacific was always intended to bring India squarely into the strategic matrix of the Asia-Pacific. It is important that it stays there.

China must wake up every morning and thank Marx for the work Trump is doing for them. But China cannot rely on everything falling into its lap. It faces huge domestic challenges, from demography to an economic model which requires substantial reform.

China would be wise not to believe its own rhetoric about a US decline because the pace of that decline is likely to be slow and uneven, even though Trump is doing a good job of eroding many of the things that made America great in the first place.

The US may well be overly confident in its ability to outperform China on the technologies of the future, but there is no question that the US will remain the strongest military and economic power for some time to come. And it would be premature to declare that the capacity of the US to reinvent itself, close to a defining feature of its DNA, is gone forever.

China thinks history is on its side and that it is only a matter of time before it moves ahead of the US on all significant measures of power. That strikes me as more wishful thinking than sober analysis, at least over the medium term. US power will be a natural break on China's ambitions for some time to come.

Rebuilding the Multilateral System

All of this is taking place at a time when the international order has—to use Prime Minister of Canada, Mark Carney's phrase—ruptured, and it raises the obvious question of whether a new multilateral system can be built to replace the international system which the US constructed and led for the last 80 years, but which it is now intent on dismantling.

Rebuilding the multilateral system will be a slow process.

- It is not dead. It still survives in the UN and international and regional organisations.
- Constructing a global system without the US is a fool's errand and neither is it in our interests for China to position itself as the successor to US multilateral leadership, even if China were prepared to play that role.
- What made the US-crafted multilateral order so appealing to Australia, which can neither buy nor bully its way in the world, was that it reflected the liberal democratic character of the US. A China-led international order would reflect China's authoritarian political character.
- The idea that middle powers can come together to compensate for the US abandonment of a rules-based order strikes me as wishful thinking. There will indeed be opportunities on some specific issues for coalitions of the willing (what Mark Carney called 'variable geometry'), and we will likely see more of them.
- But an effective international order must broadly reflect rather than ignore the international power gradient. It can only be built with the active support of the great powers and in a bipolar world that is very unlikely. We will have to settle for something less than a new global order.
- Our focus should therefore be on building up regional plus arrangements such as CPTPP (Comprehensive and Progressive Agreement for Trans-Pacific Partnership) and RCEP (Regional Comprehensive Economic Partnership), securing the broadest possible membership without dropping standards. We hope India will be part of this.
- This way we might achieve something bigger than regional but short of global.
- And along the way, we should drop geopolitical vetoes on membership of trade arrangements. Geopolitical vetoes in trade agreements ultimately work against both trade and security interests.

The regional pillar—the third pillar of Australian foreign and strategic policy—is in relatively good shape but requires us doing more across the board to deepen our regional relationships.

- Our key relationships are with Japan, Indonesia, India and Korea but Southeast Asia more broadly is very important because it is our strategic hinterland, as is the Pacific, but in a different way.
- The only significant regional country with which Australia can realistically forge an alliance-like relationship is Japan. The others can be stronger strategic partners but not allies.
- Japan and Australia share similar and congruent strategic positions. We share many values. We are both close US allies but also recognise that we need to move towards a more self-reliant defence posture. Whether the new leadership in Japan shifts this judgement remains to be seen. For now, it looks as if Japan will double down on the US alliance, but it is also looking to build a quasi-alliance relationship with Australia and we welcome that.
- We also share with Japan a concern about a region dominated by an authoritarian China, although unlike Australia, Japan would likely worry about China, even if China were a democracy. Like India, Japan would worry about how a large and powerful neighbour, irrespective of its political character, would constrain its options and room for manoeuvre.
- Multi-alignment, the new version of non-alignment, is at the heart of Indonesia's foreign policy and so will limit how far Australia's strategic relationship with Indonesia can go. That said, it still leaves considerable room for a closer strategic partnership with Indonesia. We must continue to build on that.
- Korea is likely to move down a more independent path, more likely than not with nuclear weapons, irrespective of reunification.
- Beyond stronger bilateral relationships, Australia should also pursue more ad hoc—and as an Indian commentator has described it, limited liability partnerships—with trilateral and plurilateral membership.

- The securitisation or militarisation of the Quad (Quadrilateral Security Dialogue, diplomatic partnership between Australia, India, Japan and the US), is unlikely to occur because there is no consensus among the four members to move in this direction. This leaves the Quad drifting, notwithstanding the recent meeting of Quad foreign ministers.
- Trump has an essentially unilateralist view of the world so multilateral arrangements like the Quad do not feature prominently in his priorities. Even a Quad summit is unlikely to change his preference for bilateral action.
- In this environment we all need to do whatever we can to keep regional institutions alive because a bifurcated region will not be able to solve region-wide problems.
- But life support until the wheel eventually turns may be the best we can hope for, when it comes to regional organisations.

Regrettably, trade has now become completely enmeshed with geopolitics. This is an age of geoeconomics and it has large implications for how we go about constructing a balance of power which can credibly constrain—not contain—China.

- Balancing China is not the same as an alliance of democracies, which is a flawed concept that has very little traction in the region. And the idea that to protect our supply lines we should only trade with the like-minded is equally flawed. It will leave us all poorer.
- We should also be cautious about how far a so-called axis of authoritarianism (China, Russia, Iran and North Korea) can go. This is largely an opportunistic grouping with a shared resentment of a US-led global order rather than a deep strategic alliance.
- For the moment, China and Russia see value in a close relationship, but beneath the surface each views the other with strategic suspicion and in time this will likely reassert itself.

Australia and India

Let me conclude with some observations on the future of the Australia–India relationship.

Australia views India as a key partner as we navigate the adjustments which will be required to reposition Australia in the new world disorder.

The objectives I outlined for the relationship in my 2018 India Economic Strategy report remain valid: bringing India into the first tier of our strategic relations, building an economic relationship which leverages the structural complementarities of our two economies, and through the now one million-strong Indian diaspora in Australia, forging the closest people-to-people links anywhere in the region. This year, the Indian-born population of Australia surpassed the UK-born population to become our largest diaspora group. It is a sign of things to come.

India's prospects of becoming the major power that it aspires to will, more than any other single factor, turn on its economic trajectory. That, in turn, will depend on India's own economic choices. But to the extent that India's growth story will require an outward-looking and internationally engaged economy, it will find in Australia a reliable partner.

But if we are to realise the potential of the Australia–India relationship, Australia will need a deeper understanding of India and its challenges. We will also need to manage expectations on both sides.

Australia will need to understand the difference between a strategic partner and an ally. We will need to recognise that our embrace of the values of a secular liberal democracy may not move in sync. We will need to work hard to build the export and especially the investment base for a larger economic relationship and we will need to find more strategic ways of leveraging the Indian diaspora as a genuinely shared asset.

We have different pasts, but we share many similar aspirations for the future. Our strategic congruence is growing. We both want a region characterised by a stable strategic balance. We prefer an order based on rules, not just might. We are both diverse societies, one the result of history, the other by choice. We have an ambitious

agenda to deepen our links in education, minerals and energy, tourism, agribusiness, sports and services.

The biggest change in the relationship over the last two decades is a recognition in India that Australia has something to offer, as India looks to take its place as a major power. Gone, I hope, are the days when India saw Australia as always subservient to US strategic policy, as too far away and too small to be a serious economic partner and with a difficult history on race.

Instead, we are today actively exploring how we can deepen the relationship in all areas. We understand better the shared strategic interests we have in the Indo-Pacific. We see each other as natural partners in creating a new strategic equilibrium in the region. We see a bigger role for each other in our economic future. And we know that we cannot build the close relationship we each desire without a contemporary understanding of our respective societies, political cultures and economic anchors.

That to me is a sound foundation on which to build a relationship of mutual advantage, and why I remain a long-term optimist on the bilateral relationship.

About the Author

Peter Varghese AO (Officer of the Order of Australia) is a distinguished Australian diplomat. He has served as Australian High Commissioner to India (2009–2012) and Australian Foreign Secretary (2012–2016). He is currently Chancellor of The University of Queensland; and Chair, Australian Public Policy Institute.



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