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Strategic Choices for Middle Powers Navigating U.S.-China Competition

Assessing the constraints and opportunities facing secondary states navigating U.S.-China rivalry

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The question of how middle powers should position themselves between the United States and China has become one of the defining strategic puzzles of the current era. Leaders in Ottawa, Canberra, Tokyo, Seoul, and European capitals face persistent pressure to choose sides while their publics and business communities often prefer continued engagement with both major powers. In some cases, the tone and transactional nature of U.S. diplomacy under Trump—including threats of annexing Greenland, tariffs on allies from Ottawa to Tokyo, and diplomatic swipes such as comments about Canada becoming America's 51st state— have caused some of Washington's traditional allies to try to create distance between themselves and Trump's unpredictability. The assumption underlying much recent commentary—that a multipolar order offers middle powers greater room to manoeuvre—deserves careful scrutiny against the structural realities of contemporary great-power competition.

What does an analysis of relevant Western and Chinese expert commentary tell us about the strategic environment confronting middle powers, including constraints on their hedging strategies, the nature of Chinese foreign policy behaviour, and the implications for alliance management? How might that analysis help to clarify the tradeoffs that policymakers must navigate?

Structural constraints: Bipolarity or multipolarity?

The debate over the structure of the international system shapes how middle powers understand their options. The American scholar Jennifer Lind has argued that the current system is effectively bipolar, with only the United States and China possessing the comprehensive capabilities—military, economic, and technological—that define great-power status. According to her analysis, other states, however influential, remain structurally subordinate and cannot independently shape systemic outcomes. If this characterization is accurate, there are inherent limits to middle-power hedging. States may diversify their economic partnerships, but security ultimately depends on alignment choices that cannot be indefinitely deferred.

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Emma Ashford, another U.S.-based expert, offers a contrasting view, arguing that the post-unipolar moment is characterized by fragmentation rather than a 'clean' U.S.-China bipolarity, and that the United States can benefit from burden-sharing arrangements and flexible coalitions. She warns, however, that American unilateralism—particularly the use of tariffs and economic coercion against allies—risks driving partners toward alternative arrangements and this movement away from the U.S. makes Chinese narratives of American decline more credible. The tension between these two Western perspectives illustrates a core challenge: middle powers must take stock not only of the distribution of their comparative advantages as a state, such as military capabilities, but also the reliability of potential partners.

Chinese experts engage with similar questions but from a different vantage point. Yan Xuetong, one of China's most influential international relations theorists, has developed what he terms "moral realism," which emphasizes the role of political leadership quality in determining state power and international outcomes. In his 2023 book, *Ancient Chinese Thought, Modern Chinese Power*, he argues that "humane authority" (王道) produces more durable international leadership than "hegemonic authority" (霸道). Accordingly, rising powers such as China can achieve legitimate leadership through ethical statecraft rather than coercion—an implicit contrast with what Yan characterizes as the U.S.'s hegemonic behaviour.

Extending this analysis to contemporary policy questions, in 2020, Yan, a distinguished professor and dean of the Institute of International Relations at Tsinghua University in Beijing, argued that bipolarity between Washington and Beijing is the emerging structural reality and that China should prepare by building genuine alliances rather than relying solely on economic partnerships. This recommendation contains an implicit acknowledgement of a weakness in Chinese foreign policy: Beijing has few formal allies compared to Washington's extensive alliance network, a gap Yan attributes partly to China's historical reluctance to accept the reciprocal obligations that alliances entail.

China's foreign policy doctrine

Understanding Chinese foreign policy requires engagement with primary sources that articulate Beijing's official positions. The 2019 white paper, *China and the World in the New Era* (新时代的中国与世界), provides a comprehensive statement of Chinese foreign policy principles. The document declares that China "will never pursue development at the expense of others' interests," "will never seek hegemony, expansion, or a sphere of influence," and remains committed to "mutually beneficial cooperation." It emphasizes China's role as a defender of the international order and characterizes Chinese development as an opportunity rather than a threat to other states.

Xi Jinping's report to the 19th National Congress of the Communist Party of China in 2017 elaborated on these themes. Xi declared that China "will continue to hold high the banner of peace, development, cooperation, and mutual benefit" and would pursue "a new type of international relations featuring mutual respect, fairness, justice, and win-win cooperation." The speech explicitly rejected hegemonic ambitions by stressing that, "No matter what stage of development it reaches, China will never seek hegemony or engage in expansion."

In a 2023 white paper, *A Global Community of Shared Future: China's Proposals and Actions* (携手构建人类命运共同体：中国的倡议与行动), China further developed this framework. The document presents the "community of shared future" concept as China's contribution to global governance theory and contrasts it with what the paper describes as "hegemonism, power politics, and bloc confrontation." The emphasis on shared development and rejection of zero-sum competition indicates how Beijing prefers to frame its international role.

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These official statements articulate a vision of Chinese foreign policy as fundamentally benign and co-operative. Middle powers seeking to engage China encounter this discourse as the public face of Chinese diplomacy, and it offers genuine grounds for partnership in areas of mutual interest.

Chinese academic perspectives on middle powers and China's "discourse power"

Chinese academics provide additional insight into Beijing's strategic thinking. The concept of "discourse power" (话语权) has become central to how Chinese scholars understand international competition. In a 2020 article published in *Waijiao Pinglun* [Foreign Affairs Review], one scholar named Sun Jisheng examined China's efforts to reshape global governance discourse. Sun argued that China faces a "discourse deficit" in international institutions, where Western concepts and frameworks predominate, and called for China to develop its own theoretical contributions to global governance. The analysis reflects a broader conviction among Chinese scholars that international legitimacy depends not merely on material capabilities but on the ability to shape the conceptual terms through which international affairs are understood.

In his 2017 article *Creative Involvement: The Evolution of China's Global Role* (创造性介入：中国外交新取向), Chinese academic and international relations scholar Wang Jisi argued that China should move beyond reactive diplomacy toward actively shaping international norms and institutions. While Wang's framework emphasizes constructive engagement rather than confrontation, it nonetheless reflects an ambition to reshape the international order in ways that better reflect Chinese interests and values.

The emphasis on discourse power has implications for how Beijing approaches middle powers. Xi Jinping's June 2021 address to the Politburo study session on strengthening international communication capacity stressed the importance of "telling China's story well" (讲好中国故事) and building a "discourse system"" (话语体系) that reflects Chinese perspectives. The speech called for enhancing China's "international voice" (国际话语权) and improving the country's ability to shape global narratives. For middle powers, this suggests that engagement with China increasingly involves navigating competing frameworks for understanding international legitimacy.

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A record of coercion: Empirical evidence

Against these official declarations and scholarly frameworks, evidence of China's coercive behaviour complicates its narrative of benign partnership. A 2020 Australian Strategic Policy Institute report documented 152 cases of Chinese government coercion affecting 27 countries and the European Union between 2010 and 2020. The report identified a marked acceleration after 2018, with methods including trade restrictions, blocks on investment, tourism bans, arbitrary detention, state-issued threats, and restrictions on official engagement.

The report's authors categorized coercion as state behaviour intended to compel policy changes through punishment or threat of punishment, distinguishing it from normal diplomatic pressure or economic competition. The geographic scope—spanning Europe, North America, the Asia Pacific, and other regions—and the range of triggering issues—from territorial disputes and human rights statements to pandemic inquiries—suggested systematic rather than isolated behaviour.

An Australian case became emblematic of this type of coercive behaviour. Following Canberra's April 2020 call for an independent inquiry into the origins of COVID-19, China imposed restrictions on Australian barley (tariffs of up to 80.5%), wine (up to 218%), beef (suspensions of specific abattoirs), coal (informal import bans), and other products. Chinese official statements denied punitive intent, attributing measures to anti-dumping investigations, biosecurity concerns, and quality issues. Yet the concentration of measures following the political dispute, and their relaxation as relations subsequently improved under the government of Anthony Albanese, made the connection difficult to dismiss.

Canada's experience introduced a different coercive instrument. Following the December 2018 arrest of Huawei executive Meng Wanzhou pursuant to a U.S. extradition request, Chinese authorities detained Canadian citizens Michael Kovrig and Michael Spavor. The two were held for over 1,000

days and accused of espionage in closed trials. Their release in September 2021 came within hours of Meng's departure from Canada following the resolution of her case, despite official Chinese denials of any connection. The episode illustrated that legal processes in middle-power jurisdictions could trigger arbitrary detention, with release effectively conditioned on political outcomes.

Internal Chinese debates and constraints

It should be noted that Chinese academic discussion is not monolithic, and some scholars have acknowledged tensions in Chinese foreign policy. In 2014, Tsinghua University's Yan Xuetong analyzed the shift in Chinese foreign policy under Xi Jinping away from Deng Xiaoping's dictum to "hide capabilities and bide time" (韬光养晦). Yan argued that China's growing power made the previous approach unsustainable but acknowledged that a more assertive posture risked provoking the formation of counterbalancing coalitions. His analysis implicitly recognized that Chinese assertiveness—whatever its justifications—carries strategic costs.

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Shi Yinhong, professor of international relations at Renmin University of China, has been more explicit in cautioning against strategic overextension. He argues that "China's domestic tasks are truly urgent, rather than its strategic efforts abroad, expansion of power, and glorious acquisitions in Asia and even globally." While Shi's views do not represent official policy, his prominence in Chinese academic circles suggests that internal debates over foreign policy approach are more varied than official statements might suggest.

The question of whether Chinese coercive behaviour reflects a deliberate strategy or emerges from domestic political pressures remains contested. Nationalist sentiment, amplified through social media and official discourse, may constrain leaders' flexibility in managing disputes. The emphasis on "core interests" (核心利益) and "national dignity" raises the domestic political costs of accommodation, potentially pushing policy toward confrontation even when strategic logic might counsel restraint.

America's volatility and the credibility of its alliances

Any balanced assessment of Canada's foreign policy must acknowledge that the volatility of U.S. foreign policy creates genuine difficulties for its allies. The Trump administration's approach to alliances—characterized by demands for increased defence burden-sharing tariffs on allied countries' goods, including steel and aluminum, withdrawal from the Trans-Pacific Partnership during Trump's first term, and publicly expressed skepticism of NATO's value—has generated considerable uncertainty about the U.S.'s reliability. Allied capitals have invested considerable diplomatic energy in managing Washington rather than co-ordinating against shared challenges.

The Biden administration's more conventional alliance management reassured partners but did not fully dispel concerns. The U.S.'s chaotic withdrawal from Afghanistan in August 2021 raised questions about American staying power, while domestic political polarization suggested that

foreign policy continuity could not be assumed across administrations. The return of Trump-era tariff policies and alliance skepticism in a second Trump administration has made these concerns even more acute.

Ashley Tellis, of the National Bureau for Asian Research in the U.S., has analyzed these dynamics in the context of the U.S.-India relationship. In a 2023 article, Tellis argued that Washington has invested heavily in building Indian capabilities as part of a China-balancing strategy, but that India's commitment to strategic autonomy limits how closely it will align with American preferences. His analysis suggests that even substantial American investment in partner capacity does not guarantee alignment when partners perceive divergent interests.

For middle powers dependent on U.S. security guarantees, the dilemma is acute. European states' difficulties in rebuilding munitions stockpiles following support for Ukraine have illustrated the gap between strategic autonomy aspirations and actual capacity. The EU's collective defence spending, while increasing, remains insufficient for territorial defence without American augmentation. Japan, Australia, and South Korea face similar dependencies. American extended deterrence, intelligence sharing, and defence industrial co-operation cannot be quickly replicated through alternative arrangements.

The Lithuania case: Coercion and collective response

The experience of Lithuania illustrates both the risks of Chinese coercion and the potential for collective countermeasures. In November 2021, Lithuania permitted Taiwan to open a representative office using the name "Taiwan" rather than the customary "Taipei"—a symbolic departure from the formulations that most states employ to avoid Beijing's objections. China responded by downgrading diplomatic relations, halting direct trade, and—most significantly—pressuring multinational companies to exclude Lithuanian components from their supply chains on pain of losing access to the Chinese market.

The extraterritorial dimension of the pressure proved particularly significant. By targeting supply chains rather than merely bilateral trade, Beijing demonstrated its capacity to impose costs on small states even when direct trade volumes were modest. The approach threatened to isolate Lithuania from European manufacturing networks, amplifying the punishment beyond what bilateral economic ties alone would permit.

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The EU's response, while imperfect, demonstrated the potential for collective action. The European Commission filed a World Trade Organization case against China in January 2022 and accelerated development of an Anti-Coercion Instrument, which entered into force in December 2023. The instrument provides for collective EU countermeasures against third countries that employ economic coercion against member states. While the tool's effectiveness remains to be tested in practice, its existence raises the costs for Beijing of targeting individual states.

The Lithuanian case offers several lessons. Small and medium states acting alone face severe asymmetries when confronting great-power economic pressure. Collective frameworks can mitigate these asymmetries by pooling market power and distributing costs. The willingness to develop such frameworks depends, however, on political solidarity that cannot be assumed, and that targeted coercion may aim precisely to fracture.

Influence operations and democratic resilience

Beyond economic coercion, middle powers face challenges from influence operations that exploit the openness of democratic societies. The distinction between legitimate diplomacy and illegitimate interference is not always clear-cut, but documented cases suggest systematic efforts to shape political environments in ways that serve Chinese state interests.

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A 2020 report by the Australian Strategic Policy Institute, *The Party Speaks for You*, examined the United Front Work Department's overseas activities. The United Front system, an organ of the Chinese Communist Party (CCP) dating to the revolutionary period, co-ordinates engagement with non-party groups both domestically and internationally. The report documented how United Front-linked organizations operate in democratic societies to mobilize diaspora communities around CCP-approved positions, monitor and marginalize dissenting voices, and cultivate relationships with local political and business elites. It also emphasized that many participants in United Front-linked activities may be unaware of the connections, and that legitimate diaspora engagement can become entangled with party-state influence efforts.

The Australian Security Intelligence Organisation's 2020 Annual Report to Parliament warned that "foreign interference in Australia continues to pose a significant risk to our sovereignty, our national institutions, and our citizens' rights." While the report did not name specific countries, its threat descriptions aligned with concerns about Chinese activities that had prompted Australia's 2018 foreign interference legislation. The Canadian Security Intelligence Service has issued similar warnings, and Canada's ongoing Public Inquiry into Foreign Interference in Federal Electoral Processes has examined allegations of Chinese government attempts to influence federal elections.

These concerns require careful calibration. On one hand, overstating the extent of interference risks stigmatizing diaspora communities and chilling legitimate cultural and political engagement. On the other hand, understating the extent leaves democratic institutions vulnerable to manipulation. Middle powers must develop frameworks that protect political integrity without sacrificing openness—a balance that requires ongoing adjustment as tactics evolve.

A policy framework of "hardened engagement"

The analysis above suggests that middle powers face less room to manoeuvre than what is generally implied by optimistic narratives of multipolarity. Neither full alignment with the United States nor equidistant hedging between Washington and Beijing appears sustainable as a long-term strategy. The former risks excessive dependence on an unpredictable partner and forecloses economic opportunities; the latter risks underestimating the constraints that Chinese coercive behaviour places on genuine neutrality.

A more promising approach might be termed "hardened engagement." In short, this means maintaining economic and diplomatic relationships with China where interests align, while building resilience against coercion and deepening security co-operation with like-minded partners. This framework accepts interdependence as a reality but also refuses to allow interdependence to become a vulnerability that constrains sovereign decision-making.

The approach implies several concrete policy directions. The first involves reducing single-point economic dependencies. This does not require comprehensive decoupling from China, which would impose enormous costs and likely prove politically unsustainable. It does require, however, identifying sectors where concentration creates vulnerabilities to coercion—sectors such as critical minerals, pharmaceutical inputs, and key technology components—and deliberately cultivating alternative suppliers. The goal is redundancy rather than severance, and maintaining trade relationships with China while also ensuring that no single trading partner can impose prohibitive costs through trade interruption.

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The second direction involves developing collective counter-coercion capacity. The EU's Anti-Coercion Instrument provides one model, but similar frameworks could be developed among other groupings—the Quad partners (Australia, India, Japan, and the U.S., which could counter Chinese coercion), G7 members, or ad hoc coalitions responding to specific incidents. The principle is that collective response raises the costs of coercion by ensuring that targets are not isolated. The effectiveness depends on credible commitment: partners must demonstrate willingness to bear costs in solidarity, even when they are not directly targeted.

The third direction involves protecting democratic institutions against foreign influence operations while preserving openness. Foreign agent registration requirements, transparency rules for political donations, and investment screening in sensitive sectors can raise barriers to manipulation without foreclosing legitimate engagement. The challenge is calibration: measures must be sufficient to deter interference but not so broad that they chill normal diplomatic, commercial, or cultural activities.

The fourth direction involves strengthening alliance contributions to reduce vulnerability to U.S. volatility. Middle powers that wish to decrease their dependence on American whims are

better served by increasing their usefulness than by hedging away from commitments. Allies that contribute deployable capabilities, share intelligence burdens, host critical infrastructure, and co-ordinate on technology standards make themselves harder to abandon—even for transactional U.S. administrations. The goal is not abject dependence but leverage through indispensability.

Engaging Chinese perspectives seriously

Hardened engagement also requires intellectual seriousness about China's perspectives, even when disagreeing with them. Yan Xuetong's moral realism framework, whatever its limitations, articulates a genuine Chinese perspective on legitimate international leadership. The "community of shared future" concept, however instrumentally deployed, reflects Chinese dissatisfaction with an international order that Beijing perceives as encoding Western preferences. Engagement with—rather than dismissal of—these frameworks offers better prospects for identifying areas of genuine common interest and managing areas of genuine disagreement.

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This does not require accepting Chinese framings uncritically. The disconnect between official rhetoric emphasizing win-win co-operation and empirical patterns of coercive behaviour demands must be acknowledged. Middle powers can engage Chinese perspectives while maintaining a clear-eyed assessment of Chinese actions. The goal is neither naive trust nor reflexive hostility, but calibrated engagement that takes both words and deeds seriously.

Similarly, Chinese concerns about the U.S.'s behaviour are not entirely baseless. U.S. alliance networks do constrain Chinese freedom of action; American democracy promotion does create pressures on one-party systems; U.S. financial centrality does enable sanctions leverage that China experiences as threatening. Acknowledging the legitimacy of some Chinese concerns—while rejecting the suggestion that these concerns justify coercion or interference—may offer ground for managing competition.

Case Studies:

Hardened Engagement in Practice, with Lessons from Japan, Australia, and Canada

The preceding analysis develops "hardened engagement" as a conceptual framework for middle-power strategy. But frameworks must be tested against experience. Japan, Australia, and Canada—three states that share democratic governance, deep ties to the U.S.-led security order, and substantial economic relationships with China—have accumulated records of navigating U.S.-China competition that illuminate both the practical promise and the structural limits of middle-power agency. Examining concrete episodes of success and failure from each country's recent diplomatic experience offers policy-relevant lessons that complement the theoretical analysis above.

The cases presented here are illustrative rather than exhaustive. Each country's experience is shaped by specific geographic, economic, and institutional conditions that limit direct transferability. Nevertheless, certain patterns recur across cases in ways that support generalizable conclusions about which approaches tend to succeed, which tend to fail, and what enabling conditions determine the difference.

Japan

Japan occupies a distinctive position among middle powers. It is simultaneously a formal treaty ally of the U.S., the world's fourth-largest economy, and China's most significant regional rival. This combination makes Japan's experience in navigating U.S.-China competition among the most instructive available.

Japan's most consequential strategic success in recent years has been the introduction of the Free and Open Indo-Pacific (FOIP) concept and the revitalization of the Quadrilateral Security Dialogue (Quad). The late Prime Minister Abe Shinzō first articulated the FOIP framework at the Sixth

Tokyo International Conference on African Development in August 2016, connecting democratic values with freedom of navigation and economic openness across the Indo-Pacific region. The Quad—comprising Japan, the U.S., Australia, and India—was revived at the official level in 2017 and elevated to leader-level summitry in March 2021. Japan's 2022 National Security Strategy formalized the relationship between FOIP and Japan's defence posture, committing to a doubling of defence expenditure and the acquisition of counterstrike capabilities.

The FOIP and Quad framework represents hardened engagement in practice. Japan maintained substantial economic ties with China—which remained its largest trading partner—while simultaneously constructing a security architecture designed to deter coercion and ensure freedom of navigation in contested maritime spaces. The success of this approach lay in its gradualism and its framing: by emphasizing rules-based order rather than anti-China containment, Japan built a coalition broad enough to include democratic partners skeptical of explicit bloc formation, while signalling strategic resolve to both Beijing and Washington.

Japan's second significant success involved its leadership of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) following the U.S.'s withdrawal from its predecessor agreement in January 2017. Rather than allowing the framework to collapse, Japan convened the remaining eleven members and negotiated a revised agreement that preserved core liberalization commitments while suspending provisions driven primarily by U.S. demands. The CPTPP entered into force for Japan in December 2018 and has since expanded to include the U.K. The episode demonstrated that middle powers can exercise genuine architectural agency in trade governance—building frameworks that reduce dependence on a single partner, preserve economic openness, and leave doors open for future U.S. re-engagement.

Japan's willingness to invest diplomatic capital in completing the agreement, despite the economic and bureaucratic costs of doing so without Washington, reflected a strategic judgment that rules-based trade architecture had intrinsic value beyond any single partner relationship. The CPTPP stands as a model of proactive middle-power leadership: converting a moment of U.S. strategic retreat into an opportunity for coalition-building that served Japanese interests regardless of whether Washington eventually returned.

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Japan's most instructive failure illustrates precisely the vulnerability the CPTPP was designed to mitigate. In September 2010, following a maritime collision near the Senkaku Islands (which China refers to as the Diaoyu) and the detention of a Chinese fishing boat captain by Japanese authorities, China sharply curtailed its exports of rare earth elements to Japan—materials critical to Japanese electronics, automotive, and defence manufacturing. Although Chinese authorities denied that the restriction was punitive, the timing made the political dimension difficult to obscure. Japan had allowed its rare earth supply chain to become concentrated in a single country to a degree that created

structural coercion vulnerability. China accounted for approximately 90 per cent of global rare earth production and an even higher share of Japan's supply at the time.

The episode prompted significant subsequent Japanese investment in supply chain diversification, including the development of Australian mineral deposits and recycling technologies, but the underlying vulnerability had been years in the making. The rare earth crisis anticipated the broader pattern of Chinese economic coercion documented above and illustrated in acute form the costs of allowing interdependence to become an asymmetric dependence. Its lesson—that critical supply chain concentration is a strategic liability requiring deliberate remediation before a crisis, not during one—remains among the most transferable in the middle-power playbook.

Japan's second failure illuminates the other dimension of the middle-power dilemma: the unreliability of the U.S. as a partner. In April 2025, the Trump administration announced sweeping reciprocal tariffs affecting nearly all trading partners, placing Japanese goods—including automobile exports, which represent the backbone of Japan's bilateral trade surplus with the U.S.—under initially announced rates of 24 per cent, subsequently paused to a 10 per cent baseline pending negotiations. Japan's automobile sector, which is deeply integrated with American supply chains and consumer markets, faced immediate adjustment pressures, and Tokyo found itself investing senior diplomatic attention in managing the bilateral economic relationship at a moment of acute regional security concern.

The episode revealed a structural vulnerability distinct from the rare earth crisis: Japanese industry's deep integration with American markets, which ordinarily represents an asset, also creates leverage that Washington can deploy transactionally. Despite Japan's alliance commitments, its hosting of U.S. forces, and its substantial investment in American defence-industrial capacity, Tokyo discovered that security partnership did not insulate it from economic nationalism in an administration that viewed all bilateral relationships primarily through a transactional lens. The failure was not one of Japanese strategy but of the shared assumption—embedded across decades of alliance management—that security cooperation would moderate the economic demands of even the most difficult Washington.

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Australia

Australia's geographic position, resource endowments, and Five Eyes membership give it a distinctive vantage point on both U.S.-China competition and middle-power diplomacy. Its recent record combines notable strategic achievements with costly vulnerabilities.

Australia's most significant success in hardened engagement has been the AUKUS (Australia-U.K.-U.S.) partnership. Announced on September 15, 2021, AUKUS committed the U.S. and U.K. to assist Australia in acquiring nuclear-powered submarine capability—a decision representing the deepest structural integration of Australian defence capacity with its major alliance partners in the

country's modern history. The decision was strategically consequential precisely because it was irreversible in any near-term sense. Nuclear-powered submarine acquisition requires a multi-decade investment in training, infrastructure, and interoperability that commits Australia to deep alignment with Washington and London on technology security, intelligence sharing, and operational planning. Faced with a deteriorating security environment in the Indo-Pacific and an increasingly assertive Chinese maritime posture, Australia chose to deepen its structural dependence on American security technology in exchange for a qualitative capability uplift that smaller-scale arrangements could not provide. AUKUS succeeded as a middle-power strategy because Australia was willing to accept structural dependence in the security domain in exchange for capability it could not independently develop—a calculated asymmetry that differs fundamentally from the inadvertent dependence that the rare earth crisis revealed in Japan's case.

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Australia's second success involved its management of Chinese economic coercion following the COVID-19-related trade dispute. When China imposed sweeping trade restrictions beginning in mid-2020—covering barley, wine, beef, coal, and other products—Australia's initial response was constrained by the scale of the penalties and the difficulty of rapidly diversifying export markets. Yet over the subsequent three years, Australian exporters demonstrated considerable adaptability. Coal found new buyers in Japan, India, and Southeast Asia; barley was redirected to Middle Eastern markets; and wine producers expanded their presence in North America and Europe.

More significantly, the Albanese government pursued a diplomatic normalization with Beijing that secured the removal of the wine tariffs in March 2024 and the barley tariffs in August 2023—without making explicit concessions on the policy positions that had triggered the original dispute. The episode illustrated a key principle of hardened engagement: resilience through diversification can shift the coercive bargain by reducing the costs of political independence. China's willingness to remove the sanctions without formal Australian concessions reflected, at least in part, Beijing's recognition that the coercion had not achieved its intended political effect. Australia demonstrated that a determined middle power, willing to absorb short-term economic pain while building alternative market relationships, can outlast Chinese trade pressure without sacrificing the sovereign positions that triggered it.

Notwithstanding the successes above, Australia's most costly failure involved precisely the vulnerability that the diversification response eventually addressed. Australia's April 2020 call for an independent international inquiry into the origins of COVID-19 was a legitimate exercise of middle-power voice within multilateral institutions, consistent with principles of transparency and scientific accountability. The Chinese government's response—detailed in the preceding analysis—demonstrated how concentrated market dependence creates structural coercion leverage that political will alone cannot immediately overcome. Australia's barley sector had directed approximately sixty-five percent of its exports to China; its wine industry had developed substantial

Chinese market reliance through a decade of growing demand. When China acted, the costs were immediate and severe, and the period required for diversification was measured in years rather than months. The lesson was not that Australia should have refrained from calling for the inquiry—on the contrary, its willingness to maintain that position under enormous economic pressure set an important precedent for middle-power agency. The lesson was that the coercion succeeded temporarily because the underlying dependence had not been addressed in advance, and that middle powers which wish to preserve their policy voice must do the supply chain diversification work before, not after, a political dispute creates pressure to do so.

"The lesson was not that Australia should have refrained from calling for the inquiry—on the contrary, its willingness to maintain that position under enormous economic pressure set an important precedent for middle-power agency."

Australia's second failure returned attention to the U.S. dimension. The Trump administration's April 2025 tariff announcements placed a 10 per cent baseline tariff on Australian goods—a lower rate than that imposed on many partners, reflecting Australia's relatively modest bilateral trade surplus with the U.S., but a meaningful departure from the free trade agreement framework that had governed the relationship since 2005. The imposition of tariffs on an ally that had committed to AUKUS, hosted American defence assets, and deployed forces alongside the U.S. in every major conflict of the post-Cold War era demonstrated that, under Trump administration logic, security alliance membership does not automatically translate into economic partnership preferences. Canberra was required to invest diplomatic capital to manage the relationship with Washington at precisely the moment when strategic attention was needed elsewhere, illustrating, in the Australian case, the same pattern identified in the Japanese context: that American economic nationalism imposes co-ordination costs on allies regardless of their security contributions.

Canada

Canada's position is in some respects the most exposed of the three cases. It shares a land border and has an economy that is deeply integrated with the U.S., lacks Japan's and Australia's Indo-Pacific strategic salience, and has had challenges in its relationships with both China and the U.S. relationships under the Trump 2.0 administration.

Ottawa's most significant recent success in hardened engagement has been the passage of the Foreign Interference Transparency and Accountability Act (Bill C-70) in June 2024, which established a foreign influence transparency registry requiring individuals undertaking activities at the direction of a foreign state to register publicly. The legislation, passed with cross-partisan support following the Public Inquiry into Foreign Interference in Federal Electoral Processes and Democratic Institutions, represented a significant step in institutionalizing democratic resilience against the influence operations documented in the preceding analysis—establishing legal architecture that makes opaque foreign-directed political activity more costly and visible without criminalizing legitimate diaspora engagement. The process by which the legislation was developed—

through a public inquiry, extensive consultations with civil society and diaspora communities, and engagement with Five Eyes partners who had developed analogous frameworks—illustrates the institutional approach to hardened engagement: using collective learning from allied democracies to build domestic resilience frameworks adapted to a specific national context. It is a model of proactive democratic self-protection rather than reactive damage control.

Canada's second success involved its decision, announced in May 2022, to prohibit Huawei and ZTE from participating in Canada's fifth-generation telecommunications networks. Canada was the last of the Five Eyes partners to announce such an exclusion—the U.S. had acted in 2019, Australia in 2018, the U.K. in 2020, and New Zealand in 2022—and the delay attracted criticism as evidence of strategic hesitation driven by concerns about economic and diplomatic exposure to China. Nevertheless, the decision itself represented a clear application of hardened engagement logic: accepting economic costs and diplomatic friction with Beijing to protect the integrity of critical communications infrastructure. By co-ordinating the decision with Five Eyes partners, Canada was able to share intelligence assessments, align on vendor substitution strategies, and ensure that no single partner bore disproportionate Chinese retaliation risk—an example of the collective counter-coercion capacity in action, even if the co-ordination process took longer than the security environment warranted.

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As with Australia and Japan, middle power successes have also included failures. Canada's most consequential failure was the Kovrig-Spavor crisis discussed in the preceding analysis and worth examining here as a case study in middle-power structural exposure. Canada's arrest of Huawei CFO Meng Wanzhou in December 2018 pursuant to a valid U.S. extradition request represented a good-faith application of Canadian law and treaty obligations. China's response—the arbitrary detention and prosecution of Michael Kovrig and Michael Spavor on fabricated espionage charges, their imprisonment for over 1,000 days, and their release coinciding precisely with Meng's departure—illustrated that rule-of-law adherence can be turned into a coercive lever by a great power willing to instrumentalize hostage diplomacy. Canada's failure was not one of judgment but of structural unpreparedness: lacking a coherent framework for managing precisely this kind of great-power instrumentalization of legal and commercial relationships, Ottawa found itself navigating an acute coercive situation without adequate institutional tools. The episode revealed the absence of meaningful collective response mechanisms among Canada's partners—each of whom sympathized privately but was unwilling to bear economic costs in solidarity—and demonstrated that, in the absence of such mechanisms, the middle-power rule-of-law premium can become a unilateral liability.

Canada's most acute recent challenge has come not from China but from its closest ally. The second Trump administration combined economic pressure—25 per cent tariffs on Canadian goods announced in February 2025 and implemented from March of that year—with unprecedented rhetorical challenges to Canadian sovereignty, including repeated characterization of Canada

as a potential fifty-first state. The tariffs struck at the deeply integrated Canada-U.S. economic relationship, threatening automotive supply chains, agricultural exports, and energy trade that had developed under the assumption of stable bilateral frameworks. Canada's response—targeted retaliatory tariffs, intensive diplomatic engagement, and accelerated trade diversification efforts with European and other partners—represented a rational attempt to signal resolve while managing escalation.

Yet the fundamental asymmetry of a middle power whose largest trading partner is simultaneously its most significant security guarantor left Ottawa with limited structural leverage. The episode illustrated, in acute form, the dilemma that American policy volatility poses for states whose security dependence precludes the full range of strategic responses available to more autonomous actors—and underscored the urgency of the diversification and collective frameworks that hardened engagement prescribes.

Not All Great Powers Are Equal

The experiences of Japan, Australia, and Canada illuminate the asymmetries and challenges of middle-power diplomacy in a period of intensifying great-power competition. They also raise a question that the framework of hardened engagement requires answering directly, if both the United States and China impose costs on middle powers through coercive or unreliable behavior, are the two relationships strategically equivalent? The answer is no—and conflating them would misrepresent the nature of the choices middle powers actually face.

The U.S. under the Trump 2.0 administration has been genuinely disruptive. Its tariff policies, alliance skepticism, and sovereignty rhetoric have imposed real costs on partners and generated legitimate uncertainty about Washington's long-term reliability. These concerns deserve serious acknowledgment rather than dismissal. Yet American disruption operates within a framework of shared institutional commitments that, however stressed, remains structurally different from the alternative it would leave behind. The U.S.-led security order—the U.S.-Japan Mutual Defense Treaty, ANZUS, NATO, and the Five Eyes intelligence architecture—continues to provide Japan, Australia, and Canada with extended deterrence, intelligence sharing, and defence industrial cooperation that no alternative arrangement can replicate on any foreseeable timeline.

"Yet American disruption operates within a framework of shared institutional commitments that, however stressed, remains structurally different from the alternative it would leave behind."

More fundamentally, the U.S. remains, despite its domestic polarization, a constitutional democracy with an independent judiciary, a free press, contested elections, and a civil society capable of changing policy directions. The volatility that makes Trump's America frustrating for allies is itself evidence of a political system that can be changed from within, as the sharp contrast between successive administrations demonstrates. Middle powers can disagree with American policy choices, lobby for their reversal, and plan for their consequences—but they can do so within a relationship whose foundational premises, including mutual respect for sovereign decision-making, are not in structural question.

China presents a qualitatively different challenge. Its official discourse emphasizes peaceful development, win-win cooperation, and respect for sovereignty—principles that middle powers can endorse as aspirational frameworks and engage with seriously, as the preceding analysis urges. Yet beyond the bilateral coercion record, Beijing has articulated a set of global governance initiatives—the Global Security Initiative, the Global Development Initiative, and the Global Civilization Initiative—that collectively represent an ambition to reshape the normative architecture of the international order in ways that reflect and reinforce one-party governance preferences. These initiatives propose alternative frameworks for security, development, and civilizational exchange that explicitly contest what Beijing characterizes as Western-biased institutional arrangements. The stated aspiration of a "community of shared future" organized around Chinese-defined principles of governance and development, if realized at institutional scale, would create an international environment in which the domestic arrangements of Canada, Japan, and Australia—all characterized by democratic competition, independent judiciaries, freedom of the press and assembly, and civilian oversight of security services—would face sustained normative pressure from a dominant institutional order whose foundational premises are hostile to those very arrangements.

This matters for middle-power strategy because the stakes of Chinese institutional influence extend beyond any single bilateral relationship or trade dispute. A China that successfully reshapes multilateral dispute settlement architecture, builds alternative financial institutions operating outside Western transparency norms, dominates standard-setting bodies governing emerging technologies, and establishes security frameworks that legitimize non-interference in authoritarian governance is not simply a demanding economic partner. It is an architect of a system in which the foreign policy autonomy and domestic governance of middle powers like Canada, Japan, and Australia would be structurally constrained in ways that no American administration, however transactional, has sought or would seek.

Recognizing this asymmetry does not require ignoring the U.S.'s failures, uncritically endorsing Washington's preferences, or abandoning the genuine areas of economic and diplomatic co-operation with China that hardened engagement explicitly preserves. It requires clarity about which structural changes are reversible through democratic politics and which are not, and which great power's long-term ambitions are compatible with the national interests, values, and institutional arrangements of the middle powers in question. For Canada, Japan, and Australia, the answer is clear even if the path is difficult: the U.S., for all its current volatility, remains the indispensable security guarantor and natural partner of first resort, while China, for all its apparent stability and co-operative rhetoric, harbours institutional ambitions that are ultimately incompatible with the kind of open, rules-based international order on which these three countries' prosperity and security depend.

"Recognizing this asymmetry does not require ignoring the U.S.'s failures, uncritically endorsing Washington's preferences, or abandoning the genuine areas of economic and diplomatic co-operation with China that hardened engagement explicitly preserves."

The 12 cases examined here—four episodes each from Japan, Australia, and Canada—provide a foundation for understanding what hardened engagement looks like in practice, what enabling conditions determine its success, and what vulnerabilities it is designed to mitigate. They are not, however, a sufficient basis for comprehensive conclusions about middle-power strategy under U.S.-China competition. Japan, Australia, and Canada share a particular combination of democratic governance, alliance ties to the U.S., and advanced institutional capacity that shapes their strategic options in ways that may not generalize to middle powers in Southeast Asia, Latin America, or Africa, where the coercion record, economic dependence, and domestic institutional frameworks may differ substantially. More systematic comparative research—examining states such as Brazil, Indonesia, South Africa, and South Korea as they navigate great-power rivalry from different structural positions—is necessary to develop a fuller picture of which middle-power strategies succeed under which conditions, and what diplomatic, institutional, and economic investments most reliably produce resilience under great-power pressure. The present analysis offers a framework and an initial set of cases; building an adequate comparative foundation for middle-power strategy in an age of renewed great-power competition remains a pressing task for the scholarly and policy communities alike.

Conclusion

Middle powers confronting U.S.-China competition are facing dilemmas without easy resolution. Chinese official discourse about peaceful development and mutual benefit articulates principles that middle powers can endorse, and substantial areas of economic and diplomatic co-operation remain possible. Yet empirical patterns of coercive behaviour—punishment through trade, arbitrary detention, extraterritorial economic pressure—impose real costs on states that cross Beijing's red lines, suggesting that partnership is conditional on political deference that middle powers may find incompatible with their interests and values.

Partnership with the U.S. offers security benefits that middle powers cannot replicate independently, but its foreign policy volatility is a source of legitimate uncertainty about Washington's long-term reliability. The challenge is not to choose the less problematic partner, but to construct policies that maximize benefits and minimize vulnerabilities in relationships with both of these great powers.

The structural reality is that middle powers cannot design the system they inhabit. They can manoeuvre within it, building resilience, diversifying where possible, and deepening co-operation with states that share their interests. They cannot, however, wish away the constraints imposed by great-power competition or assume that either Washington or Beijing will subordinate their interests to those of middle powers. Hardened engagement—one that is clear-eyed about both partners' limitations, serious about resilience, and committed to collective action—offers the most reliable foundation for a middle-power strategy in the years ahead.

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