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Middle Power Cooperation: Prospects for ASEAN-Australia Engagement Amid Escalating Great Power Rivalry

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Abstract

Australia seeks to strengthen its ties with Southeast Asia, a strategic neighbourhood where the intensifying rivalry between the United States and China is increasingly at play. Although the AUKUS partnership has at times elicited reservations, Canberra retains significant assets with which to consolidate regional cooperation, particularly through trade, investment, energy transition and maritime security. Yet Australia must contend with China's commercial competition, which has deepened its engagement with regional states since Donald Trump's return to the White House. Ultimately, Australia's capacity to exercise a decisive role will depend upon its ability to balance its security alignment with Washington against the pursuit of an autonomous regional diplomacy, responsive to the economic, political and energy priorities of Southeast Asian states.

Résumé

L'Australie cherche à renforcer ses liens avec l'Asie du Sud-Est, un voisinage stratégique où se manifestent des rivalités croissantes entre les États-Unis et la Chine. Si le partenariat AUKUS a parfois suscité des réserves, Canberra dispose d'atouts pour consolider sa coopération régionale, notamment par le commerce, les investissements, la transition énergétique et la sécurité maritime. L'Australie doit toutefois composer avec la concurrence commerciale de la Chine, qui, depuis l'arrivée de Donald Trump à la Maison-Blanche, a renforcé son engagement envers les pays de la région. La capacité de l'Australie à jouer un rôle d'influence déterminant reposera, en définitive, sur son aptitude à concilier son ancrage sécuritaire aux côtés de Washington avec une diplomatie régionale autonome, attentive aux priorités économiques, politiques et énergétiques des pays d'Asie du Sud-Est.

Introduction

Under the leadership of Labor Prime Minister Anthony Albanese, strategic convergence between Australia and Southeast Asia has accelerated, placing the Association of Southeast Asian Nations (ASEAN) at the core of Australia's foreign policy. This reorientation follows a period of diplomatic retreat marked by the COVID-19 pandemic and the announcement of the AUKUS security pact with the United States and the United Kingdom, concluded without prior consultation with key Southeast Asian countries.

Since 2022, Canberra has strengthened its diplomatic ties with Indonesia, the Philippines, Singapore, Malaysia, and Vietnam, thereby reaffirming the importance of the region for Australia's economic prosperity. By 2040, ASEAN is expected to become the world's fourth-largest economy, which prompted the Albanese government to establish a Southeast Asia office within the Department of Foreign Affairs and Trade (DFAT), as well as to appoint Nicholas Moore as Special Envoy for the region.

The ASEAN-Australia Summit held in Melbourne in March 2024, under Prime Minister Albanese's leadership, marked a turning point with the launch of the "Invested" strategy, which sets out Australia's economic policy for the region through 2040¹. This initiative constitutes Australia's first long-term strategy dedicated to Southeast Asia. Its primary aim is to diversify Australia's investment opportunities at a time when China's regulatory policies are becoming increasingly restrictive.

This commitment appears to be accelerating, particularly since Donald Trump's return to the White House in January 2025. President Trump swiftly hardened trade relations by imposing 25% tariffs on aluminium and steel imports from across the globe, including Australia and ASEAN countries². An additional 25% surcharge has since been introduced by the US executive branch³. Specific customs barriers ranging from 10% to 40% have also been

¹ Australian Government Department of Foreign Affairs and Trade, *Invested: Australia's Southeast Asia Economic Strategy to 2040*.

<https://www.dfat.gov.au/southeastasiaeconomicstrategy>

² C, Jones, "Trump announces 25% tariffs on foreign steel and aluminium", *The Guardian*, (12 Feb. 2025).

<https://www.theguardian.com/us-news/2025/feb/10/trump-steel-aluminum-tariffs>

³ B, Drenon & N, Sherman, "US to double tariffs on steel and aluminium imports to 50%, Trump says", *BBC*, (31 May 2025).

<https://www.bbc.com/news/articles/cy0k5x21y35o>

imposed by President Trump on products imported from these countries⁴. This policy signals the deliberate return of the “America First” doctrine, grounded in a unilateral, transactional, and nationalist foreign policy aimed at safeguarding American interests within the international system. In response, ASEAN countries and Australia are now compelled to navigate between the economic, political, and military manoeuvres of both the United States and China.

Affirm rights at sea and ease strategic competition

State of Play

Australian Foreign Minister Penny Wong has repeatedly reaffirmed that “ASEAN’s security is also Australia’s security”⁵. The 2023 Defence Strategic Review further underscores the need for Canberra to strengthen military cooperation with Southeast Asian countries, stressing that this subregion constitutes one of the main focal points of strategic competition in the Indo-Pacific⁶.

This stance comes amid rising tensions in the South China Sea, where the People’s Republic of China (PRC) is asserting its historical sovereignty over the maritime area based on the so-called “nine-dash line”⁷. Originally drawn by the Republic of China in the aftermath of the Second World War, this line covers 90% of the waterway⁸. On 12 July 2016, the Permanent Court of Arbitration (PCA) in The Hague had notably rejected any legal basis invoked by the Chinese Communist Party (CCP) to justify its claims⁹.

⁴ M, Metzeling, “Trump’s tariffs cause trade pain for Australian & SE Asian businesses”, *Macpherson Kelley*, (27 Aug. 2025).

<https://mk.com.au/trumps-tariffs-cause-trade-pain-for-australian-se-asian-businesses/>

⁵ B, Nicholson, “Penny Wong: ASEAN is critical for Australia’s security”, *Australian Strategic Policy Institute*, (25 Jan. 2018).

<https://www.aspistrategist.org.au/penny-wong-asean-critical-australias-security/>

⁶ S, Smith, & A, Houston. National defence: Defence Strategic Review 2023. *Government of Australia*, (2023). <https://www.defence.gov.au/about/reviews-inquiries/defence-strategic-review>

⁷ H, Beech, “Just Where Exactly Did China Get the South China Sea Nine-Dash Line From?”, *Time*, (19 Jul. 2016).

<https://time.com/4412191/nine-dash-line-9-south-china-sea/>

⁸ Ibid.

⁹ O, Holmes & T, Phillips, “South China Sea dispute: what you need to know about The Hague court ruling”, *The Guardian*, (12 Jul. 2016).

Nevertheless, disputes over islands and reefs - particularly across the Spratly Islands and around the Scarborough Shoal, located southwest of Taiwan, east of Vietnam, and north of Malaysia and Brunei - have intensified. The situation has worsened notably since the election of Ferdinand “Bongbong” Marcos Jr as President of the Philippines in May 2022. He has firmly defended his country’s maritime sovereignty over these two territories, which fall within the Philippines’ Exclusive Economic Zone (EEZ). These areas are of strategic importance due to their rich fisheries, mineral resources, and energy reserves. Under his predecessor, Rodrigo Duterte, Chinese activities in the area were largely downplayed¹⁰.

A Philippine Navy report released in July reported the presence of at least 49 Chinese coastguard and naval vessels near the Second Thomas Shoal, off the Spratly Islands, as well as near Scarborough Shoal in June - representing the highest level of Chinese presence observed this year. This escalation comes despite President Marcos having expressed, in early June¹¹, his willingness to ease tensions with Beijing at a time of political fragility following the disappointing results of the 12 May senatorial elections, which strengthened the position of his rival, Vice President Sara Duterte, who advocates closer ties with China¹².

Military Dimension

Set against a backdrop of heightened regional tensions and a broader economic slowdown, Australia is seeking to strengthen its strategic cooperation with ASEAN. Speaking at the 58th ASEAN Foreign Ministers’ Meeting in Malaysia in July, Minister Wong urged ASEAN states to defend a rules-based regional order and oppose coercion in all its forms¹³. She also expressed growing concerns over China’s military build-up in the region, calling for a strategic rebalancing¹⁴.

<https://www.theguardian.com/news/2016/jul/12/south-china-sea-dispute-what-you-need-to-know-about-the-hague-court-ruling>

¹⁰ L, Bautista, “The Philippines-Australia Strategic Partnership in an Era of Geopolitical Realignment”, *Fulcrum*, (21 Mar. 2024).

<https://fulcrum.sg/the-philippines-australia-strategic-partnership-in-an-era-of-geopolitical-realignment/>

¹¹ J, Maitem, “Philippines’ Marcos softens stance amid economic pressures but will China bite?”, *South China Morning Post*, (12 Jun. 2025).

<https://www.scmp.com/week-asia/politics/article/3314127/philippines-marcos-softens-stance-amid-economic-pressures-will-china-bite>

¹² J, Quitzon, “Philippines Votes 2025: A Power Shift in the Senate”, *Center for Strategic & International Studies*, 15 May 2025).

<https://www.csis.org/analysis/philippines-votes-2025-power-shift-senate>

¹³ S, Dziedzic, “Foreign minister promises Asian nations Australia will remain a ‘reliable’ partner with open markets”, *Australian Broadcasting Corporation*, (10 Jul. 2025).

<https://www.abc.net.au/news/2025-07-10/foreign-minister-penny-wong-asean-comments/105518328>

¹⁴ Ibid.

Canberra has recorded its most significant progress in defence cooperation with the Philippines under President Marcos. In September 2023, Prime Minister Albanese signed a strategic partnership agreement with the Philippine president during his visit to Manila - the first by an Australian head of government in eight years¹⁵. Between July and August, the Philippine armed forces participated in Talisman Sabre for the first time. Talisman Sabre represents the largest biennial military exercise conducted by Australia and the United States¹⁶.

This cooperation has also materialised through joint freedom of navigation exercises, undertaken in February within the Philippine EEZ by naval vessels from Australia, the Philippines, Japan and the United States¹⁷, alongside April's Balikatan exercise, which was designed to reinforce interoperability and operational preparedness between Philippine forces and their allies¹⁸. Australia and the Philippines have further expanded their military training activities, conducting more than 20 training and exchange programmes throughout 2025, covering land, naval and air domains¹⁹.

Indonesia equally acknowledges the pragmatic importance of this cooperation in fostering regional stability and enhancing maritime security. Australia has emerged as Indonesia's second most significant defence partner after the United States, notably through joint military exercises and personnel exchanges. This continues despite lingering tensions linked to past events, notably the 1999 East Timor crisis. Some military officials close to President Prabowo Subianto have privately accused Australia of participating in UNAMET (the United Nations Mission in East Timor) in order to portray the Indonesian army as an adversary²⁰. Despite these ambivalent perceptions, in November 2024, Australian and Indonesian forces

¹⁵ A. Albanese, Joint declaration on a Strategic Partnership between the Republic of the Philippines and the Commonwealth of Australia, (9 Sept. 2025).

<https://www.pm.gov.au/media/joint-declaration-strategic-partnership-between-republic-philippines-and-commonwealth>

¹⁶ Australian Government Defence, Exercise Talisman Sabre 2025, (23 Apr. 2025). <https://www.defence.gov.au/news-events/releases/2025-04-23/exercise-talisman-sabre-2025>

¹⁷ Reuters, "Australia, Japan, Philippines, US to conduct maritime cooperative activity", (5 Feb. 2025). <https://www.reuters.com/world/asia-pacific/australia-japan-philippines-us-conduct-maritime-cooperative-activity-2025-02-05/>

¹⁸ Australian Government Defence, Defence joins partners for Exercise Balikatan, (21 Apr. 2025). <https://www.defence.gov.au/news-events/releases/2025-04-21/defence-joins-partners-exercise-balikatan>

¹⁹ Australian Defence Magazine, "Australia and Philippines fortify bond", (7 Apr. 2025). <https://www.australiandefence.com.au/news/news/australia-and-philippines-fortify-bond>

²⁰ E.C. Pattisina, "Indonesia and Australia: Defence cooperation under Prabowo", *Lowy Institute*, (24 Mar. 2025). <https://www.lowyinstitute.org/the-interpreter/indonesia-australia-defence-cooperation-under-prabowo>

conducted their largest ever amphibious assault as part of the Keris Woomera exercise in Townsville and Situbondo in eastern Java²¹.

Given Australia's strong ties with Jakarta and its deepening engagement with Papua New Guinea - which has also strengthened diplomatic relations with the world's largest archipelago - Prime Minister Albanese may consider establishing a trilateral security partnership with these two neighbouring states²².

More recently, strategic relations between the Australian and Singaporean armed forces have deepened considerably. On the occasion of the tenth anniversary of their Comprehensive Strategic Partnership, the two prime ministers approved reciprocal access for their respective naval and air forces to naval and air bases in both countries, alongside enhanced cooperation in defence technology and logistics²³. This arrangement enables Australia to strengthen its military presence and operational reach within Southeast Asia.

The military relationship between Canberra and Singapore remains both substantial and enduring; Australia is the third country with which the city-state maintains the largest number of defence agreements, after the United States and India²⁴. Defence cooperation with Australia also operates under the Five Power Defence Arrangements (FPDA), established in 1971, which commits member states to consult in the event of armed aggression against Malaysia or Singapore²⁵. FPDA exercises, including Bersama Shield and Bersama Lima, play a critical role in strengthening Singapore's military capabilities. The north-western coast of Australia likewise hosts joint air and land exercises between the two countries, conducted between 7 September and 2 November in Queensland²⁶. Furthermore, the armed forces of both countries participate annually in multilateral exercises, including US-led regional manoeuvres²⁷.

²¹ A.M, Lariosa, "Australia, Indonesia Drill Together in Major Amphibious Exercise", *U.S. Naval Institute*, (20 Nov. 2024).

<https://news.usni.org/2024/11/20/australia-indonesia-drill-together-in-major-amphibious-exercise>

²² R, Kilic, "Seizing the Opportunity: Australia should seek a Trilateral Partnership with Indonesia and PNG", *Australian Institute of International Affairs*, (1 Oct. 2025).

<https://www.internationalaffairs.org.au/australianoutlook/seizing-the-opportunity-australia-should-seek-a-trilateral-partnership-with-indonesia-and-png/>

²³ S, Strangio, "Singapore, Australia Announce Boost to Bilateral Defense Cooperation", *The Diplomat*, (9 Oct. 2025).

<https://thediplomat.com/2025/10/singapore-australia-announce-boost-to-bilateral-defense-cooperation/>

²⁴ A.R, Yaacob & J, Sato, "The strategy behind Singapore's defence cooperation", *Lowy Institute*, (20 Aug. 2025). <https://www.lowyinstitute.org/the-interpreter/strategy-behind-singapore-s-defence-cooperation>

²⁵ A.R, Yaacob, The Five Power Defence Arrangements (FPDA) and regional order: The utility of FPDA military exercises for Malaysia and Singapore. *Contemporary Security Policy*, 1–25.

²⁶ MINDEF Singapore, Minister for Defence Visits Exercise Wallaby 2025, (6 Oct. 2025).

<https://www.mindef.gov.sg/news-and-events/latest-releases/06oct25-nr>

²⁷ L.J, Wen, "SAF artillery, aircraft make Exercise Talisman Sabre debut in Australia", *The Straits Times*, (28 Jul. 2025).

Singapore also maintains robust training arrangements with Canberra under the Australia - Singapore Military Training Initiative (ASMTI), which enables up to 14,000 Singaporean troops to undertake unilateral training in Australia for periods of up to eighteen weeks²⁸.

Taken together, these initiatives reflect Canberra's determination to consolidate a resilient network of defence partnerships across Southeast Asia - one built on trust, strategic complementarity, and a shared commitment to a stable, rules-based regional order.

Diplomatic Dimension

While seeking to establish itself as a credible military deterrent in the region, Canberra does not neglect the role of diplomacy in conflict prevention. This objective aligns with ASEAN's founding principles, as outlined in its initial declaration, which established conflict prevention as a regional priority. As a platform for multilateral dialogue, ASEAN notably engages with the three main nuclear powers - the United States, China and Russia - thereby helping to legitimise its vision for the Indo-Pacific.

Australia, a G20 and APEC member with an active approach to multilateral diplomacy, maintains open and regular communication channels with both Beijing and Washington, and could leverage its position to promote regional stability. This ambition could take shape through enhanced coordination with ASEAN's major powers, historically perceived as the bloc's non-aligned pillars: Indonesia, Vietnam and Malaysia. Under the Albanese government, ties with these states have strengthened diplomatically, allowing for the emergence of a foundation of cooperation capable of supporting a collective initiative²⁹.

Structural limits nevertheless persist. ASEAN's consensus-based decision-making hampers progress on sensitive issues, and conflict prevention often falls into this category³⁰. Even so, pragmatic advances remain possible on the side-lines of ASEAN's expanded summits, where Australia could take a leading role thanks to its history of active diplomacy in promoting maritime norms.

<https://www.straitstimes.com/singapore/saf-artillery-aircraft-make-exercise-talisman-sabre-debut-in-australia>

²⁸ Australian Government Defence, Australia – Singapore Military Training Initiative.

<https://www.defence.gov.au/defence-activities/programs-initiatives/australia-singapore-military-training-initiative>

²⁹ S, Thompson, "Australia and ASEAN: A storied history", *Lowy Institute*, (3 Jan. 2025). <https://www.lowyinstitute.org/the-interpreter/australia-asean-storied-history>

³⁰ B, Kausikan, "ASEAN's Commitment to Consensus", *Australian Institute of International Affairs*, (24 Sep. 2020).

<https://www.internationalaffairs.org.au/australianoutlook/aseans-commitment-to-consensus/>

Rather than being defined by the conclusion of a legally binding agreement, success would be defined by the ability of both parties to generate diplomatic momentum, culminating in a political declaration setting out confidence-building measures to which the current administrations in China and the United States could commit over the immediate to medium term period. In the context of the ongoing US-China trade war and their strategic rivalry, strong collective engagement and unity are imperative. While no direct collisions between the two air forces have occurred since the mid-air collision over the South China Sea in April 2001, incidents have taken place, including a crash involving a US fighter jet and helicopter in the South China Sea shortly after take-off from the carrier USS Nimitz in October³¹. Both crew members successfully ejected and were also safely recovered by American search and rescue assets.

Sustained ministerial and bureaucratic efforts should be devoted to expediting negotiations with Chinese and American counterparts to establish agreed norms. Such confidence-building measures could encompass direct, real-time communication channels between air, naval and coastguard forces, as well as advance notification of military exercises and participant numbers. These initiatives might ultimately culminate in a high-level summit convening the heads of state of China and the United States.

Reducing tensions with the current US administration would enhance the security of global supply chains and markets, a crucial consideration for China's economic growth, which has struggled in the aftermath of the COVID-19 pandemic. In 2024, China recorded its weakest economic growth in three decades³². Despite doling out extensive monetary and fiscal support during the second economic quarter, its economy faced mounting challenges in October, slowing down to 4.8%³³. Recent forecasts from the International Monetary Fund (IMF) and World Bank suggest that China's economic growth will be around 4.8% in 2025, which is below the official target of 5%.

³¹ S. Lagrone, "Super Hornet, Helicopter Assigned to USS Nimitz Crash in South China Sea in Separate Incidents, Crew Safe", *USNI News*, (26 Oct. 2025).

<https://news.usni.org/2025/10/26/super-hornet-helicopter-assigned-to-uss-nimitz-crash-in-south-china-sea-in-separate-incidents-crew-safe>

³² Le Monde & Agence France-Presse, "China reports decades-low economic growth and demographic decline", *Le Monde*, (17 Jan. 2024).

https://www.lemonde.fr/en/economy/article/2024/01/17/china-reports-worst-economic-growth-in-decades-and-demographic-decline_6439203_19.html

³³ K. Yao & E. Zhang, "China's economy slows as trade war, weak demand highlight structural risks", *Reuters*, (20 Oct. 2025).

<https://www.reuters.com/world/china/chinas-q3-gdp-growth-slows-lowest-year-backs-calls-more-stimulus-2025-10-20/>

For President Trump, lowering tensions with China could reinforce his image as a pragmatic negotiator with his electorate, particularly in the run-up to the 2026 midterm elections. Above all, it would afford the US defence industry valuable time to expand its naval production capacity, which currently lags behind that of China. Over the past nine years, China has gained a numerical advantage, producing naval tonnage equivalent to that of Europe and the United States combined, and aims to field a fleet of 400 warships by 2030³⁴. In order to maintain its fleet, the US Navy needs to build two Virginia-class submarines each year; however, the US industrial base is currently only producing one.

Climate Security

Commercial Dimension

Southeast Asian policymakers acknowledge the urgency of a rapid energy transition, yet its implementation and financing remain highly complex. The 2025 Global Climate Risk Index ranked Myanmar, the Philippines, and Cambodia among the twenty countries most exposed to the effects of climate change between 1993 and 2022³⁵. Rising temperatures, irregular rainfall, and extreme weather events threaten ecosystems, livelihoods, and social stability.

ASEAN member states need to multiply their investments in climate resilience by twelve, yet political challenges and limited financial support continue to stall progress. In 2023, fossil fuels still accounted for more than half of the region's energy consumption³⁶. Indonesia and Vietnam derived 42.7% and 47.5% of their energy from coal, while Malaysia and Thailand relied on oil for over a third of their supply. Fossil fuel subsidies reinforce these dependencies - in 2023, Indonesia and Malaysia allocated nearly USD 29 billion and USD 6 billion, respectively, to such subsidies³⁷. Beyond energy supply, fossil fuels sustain employment in

³⁴ A, Palmer., H.H, Carroll., N, Velazquez, "Unpacking China's Naval Buildup", *CSIS – Center For Strategic & International Studies*, (5 June 2024).

<https://www.csis.org/analysis/unpacking-chinas-naval-buildup>

³⁵ L, Adil., D, Eckstein., V, Künzel & L, Schäfer, "Climate Risk Index 2025", Germanwatch, (2025). <https://www.germanwatch.org/sites/default/files/2025-02/Climate%20Risk%20Index%202025.pdf>

³⁶ H, Ritchie & P, Rosado, "Energy Mix Explore global data on where our energy comes from, and how this is changing", *Ourworldindata.org*, (2020).

<https://ourworldindata.org/energy-mix>

³⁷ The Organisation for Economic Cooperation and Development in FossilFuelSubsidyTracker.org, "Country trends in fossil-fuel subsidies".

<https://fossilfuelsubsidytracker.org/country/>

the region - the coal sector employs around 180,000 people in Indonesia, 86,000 in Vietnam, and 4,000 in the Philippines³⁸.

Regional energy demand is set to soar, driven by population growth, rising living standards, and industrial expansion. Data from the International Energy Agency (IEA) suggests that Southeast Asia's energy consumption could exceed that of the European Union by the middle of the century³⁹. If current trends continue, the region could account for a quarter of the global increase in energy demand by 2030, second only to India⁴⁰. These projections underscore the significant challenge of reconciling energy security, economic development, and ecological transition. By progressively substituting fossil fuels with renewable energy sources, Southeast Asia could generate up to USD 300 billion in additional revenue by 2030 and create approximately 5.8 million jobs by 2050⁴¹.

Often considered to be lagging behind on climate issues, Australia now aims to establish itself as a regional powerhouse in renewable energy, notably through its “Economic Strategies for Southeast Asia 2040” and “Future Made in Australia” programmes⁴². Both Southeast Asia and Australia have a clear interest in strengthening their partnership on energy transition. APEC, which includes major Southeast Asian economies such as Indonesia, Malaysia, and Singapore, as well as Australia, provides a relevant platform to advance time-bound climate agreements alongside the UN's annual climate negotiations. The 2024 APEC ministerial meeting had notably outlined guidelines for clean energy development and addressed shared concerns on climate and energy transition⁴³.

³⁸ International Labour Organization, “A just energy transition in Southeast Asia: The impact of coal phase-out on jobs”, (2022).

<https://www.ilo.org/publications/just-energy-transition-southeast-asia-impact-coal-phaseout-jobs>

³⁹ B. Radowitz, “Southeast Asia's energy demand to overtake EU's by 2050 amid clean power surge: IEA”, *Recharge*, (22 Oct. 2024).

<https://www.rechargenews.com/wind/southeast-asias-energy-demand-to-overtake-eus-by-2050-amid-clean-power-surge-iea/2-1-1727758>

⁴⁰ Atrius, *The Rising Energy Demand in Southeast Asia and Its Global Implications*, (23 Oct. 2023). <https://www.environmentenergyleader.com/stories/the-rising-energy-demand-in-southeast-asia-and-its-global-implications,55036>

⁴¹ M.S, Huda, “Towards a Just Energy Transition in Southeast Asia”, *Yusuf Ishak Institute*, (2025).

<https://www.iseas.edu.sg/articles-commentaries/iseas-perspective/2025-35-towards-a-just-energy-transition-in-southeast-asia-by-mirza-sadaqat-huda/>

⁴² Australian Government Treasury, *Future Made in Australia*.

<https://treasury.gov.au/policy-topics/future-made-australia#:~:text=In%20the%202024%E2%80%9320Budget,we%20move%20towards%20net%20zero>

⁴³ Asia-Pacific Economic Cooperation, *Ministers commit to safeguard a clean and inclusive energy transition*, (16 Aug. 2024).

<https://www.apec.org/press/news-releases/2024/ministers-commit-to-safeguard-a-clean-and-inclusive-energy-transition>

At the bilateral level, Australia has initiated the AUD 129 million Australian-Indonesian Partnership on Climate and Infrastructure (KINETIK), along with an AUD 67 million programme supporting the green economy in Vietnam. These initiatives include private sector support to develop smart green grids, particularly in wind and solar energy⁴⁴. Another flagship project, the Australia-Asia Power Link, will transport solar energy from Australia to Indonesia and Singapore⁴⁵.

Australia possesses significant mineral resources, including nickel, lithium, gallium and cobalt – essential for commercial and security applications. These minerals are critical for manufacturing electric batteries, a sector ASEAN seeks to expand but in which the region continues to lag, particularly in lower-income economies such as Laos and Cambodia.

China's Weight

Canberra's ambition to assert itself as a regional green power faces the challenge of China's dominant commercial presence. Since 2013, the majority of ASEAN member states - with the notable exception of the Philippines - have engaged with China's Belt and Road Initiative (BRI), benefiting from extensive investments in economic infrastructure. This strategy has enabled Beijing to become the region's leading commercial investor. For China, Southeast Asia constitutes a vital strategic zone, viewed as a natural extension of its economic space and a driver of its industrial expansion.

Southeast Asia has emerged as a priority destination for Chinese investment in green infrastructure. Between 2019 and 2023, Beijing provided nearly USD 3 billion for renewable energy projects in the region, with a strong focus on hydropower resources in Mekong countries such as Laos and Vietnam. Meanwhile, China's solar industry expanded into Malaysia and Indonesia, with companies like Trina Solar establishing manufacturing plants⁴⁶. The region has also advanced its supply chains in solar panel production, partly thanks to Chinese investments.

China's sustained commercial engagement also rests on its comparative advantage in lithium battery production. Beijing currently accounts for over 80% of global cell production

⁴⁴ T, Nguyen, "One year into the Indonesia and Vietnam's Just Energy Transition Partnerships", *Lowy Institute*, (6 Feb. 2024).

<https://www.lowyinstitute.org/the-interpreter/one-year-indonesia-vietnam-s-just-energy-transition-partnerships>

⁴⁵ Suncable, Australia-Asia Power Link (AAPowerLink).

<https://www.suncable.energy/our-projects>

⁴⁶ M, Yang & S, Zhang, "China and ASEAN rising together on the green front", *China Daily*, (12 Dec. 2024). <https://www.chinadaily.com.cn/a/202412/02/WS674d1c8fa310f1265a1d0803.html>

and more than half of global electric vehicle manufacturing⁴⁷. Automaker BYD has emerged as a global leader, establishing production centres in Thailand and Indonesia to capitalise on the region's skilled yet cost-competitive workforce and targeting both export markets and domestic consumption.

Given China's competitive advantage, Australia could reinforce its regional engagement by accelerating the extraction, processing, and export of critical minerals to meet the immediate and long-term requirements of Southeast Asian economies. In 2024, Australia ranked as the world's leading destination for rare earth exploration, attracting USD 64 million - around 45% of global investment - five times more than Brazil, the next largest recipient⁴⁸. The Albanese government will invest AUD 307 million in a mining and processing plant in Western Australia and AUD 153 million in a similar facility in the Northern Territory. This policy aligns closely with Jakarta's ambitions to produce nine million battery-powered motorcycles and 600,000 electric vehicles by 2030⁴⁹. Bringing Indonesia and other regional partners into the framework would deepen resilience and extend Australia's economic and geopolitical reach.

The Albanese government could also capitalise on Australia's international reputation for scientific excellence, particularly in applied sciences, to foster innovative cooperation with ASEAN members aimed at strengthening the resilience of BRI infrastructure. Joint programmes - such as the design of flood-resilient ports in Jakarta or the deployment of solar-powered irrigation systems in the Mekong Delta - would represent tangible avenues for aligning ASEAN's climate priorities with Australia's strategic engagement.

Structural Challenges

Australia's Nuclear Submarines

Since its announcement on 15 September 2021, the AUKUS security partnership has fuelled both concern and unease about the risks of regional escalation. Beyond cancelling the order

⁴⁷ C. Sheperd, "How China pulled ahead to become the world leader in electric vehicles", *Washington Post*, (3 Mar. 2025).

<https://www.washingtonpost.com/world/2025/03/03/china-electric-vehicles-jinhua-leapmotor/>

⁴⁸ S. Tewari, "Inside Australia's billion-dollar bid to take on China's rare earth dominance", *BBC*, (13 Aug. 2024). <https://www.bbc.com/news/articles/cgm2z91mvlvo>

⁴⁹ Just Auto, "Indonesia to source lithium from Australia", (6 Aug. 2025).

<https://www.just-auto.com/news/indonesia-to-source-lithium-from-australia/>

for twelve conventionally powered Barracuda-class submarines from French shipbuilder Naval Group - intended for the Royal Australian Navy - this decision froze diplomatic relations with France for more than two years and delayed the full restoration of defence cooperation for nearly four. The initiative also triggered reservations among Southeast Asian states.

In essence, Australia will receive British-built reactors and gain access to US nuclear technology to construct its own nuclear-powered submarines, known as SSN-AUKUS, by 2040⁵⁰. Until then, Washington will deliver three Virginia-class nuclear submarines to Canberra from 2032⁵¹. The agreement's second pillar focuses on cooperation across a range of advanced capabilities, including hypersonic missile production, artificial intelligence, and quantum technologies⁵². In July, Canberra and London also signed a 50-year nuclear submarine partnership, expected to secure tens of thousands of jobs throughout its duration⁵³.

This trajectory, however, runs counter to ASEAN regional norms set out in the Treaty of Amity and Cooperation in Southeast Asia (TAC), which prioritises strategic stability, regional consultation, and the preservation of the security status quo⁵⁴. The treaty, in force since 1997, has not been signed by any of the five nuclear powers under the Nuclear Non-Proliferation Treaty (NPT), as they fear it would limit their military freedom of action in international waters across the region⁵⁵.

Among ASEAN members, Malaysia and Indonesia have been the staunchest defenders of TAC principles. Their diplomats voiced concerns that AUKUS could fuel a regional arms race and undermine the nuclear non-proliferation regime, later reiterating this opposition

⁵⁰ Prime Minister of Australia Anthony Albanese, "AUKUS Nuclear-Powered Submarine Pathway", (14 Mar. 2023).

<https://www.pm.gov.au/media/aukus-nuclear-powered-submarine-pathway>

⁵¹ B, Nicholson, "Submarine agency chief: Australia's SSNs will be bigger, better, faster", *Australian Strategic Policy Institute*, (27 Dec. 2024).

<https://www.aspistrategist.org.au/editors-picks-for-2024-submarine-agency-chief-australias-ssns-will-be-bigger-better-faster/>

⁵² L, Brooke-Holland, "AUKUS pillar 2: Advanced capabilities", *House of Commons Library*, (2024) <https://commonslibrary.parliament.uk/research-briefings/cbp-9842/>

⁵³ B, Hall, "Beer-lateral relationship between Australia and the UK strengthened", *Sydney Morning Herald*, (26 Jul. 2025).

<https://www.smh.com.au/national/beer-lateral-relationship-between-australia-and-the-uk-strengthens-as-treaty-signed-20250726-p5mhzy.html>

⁵⁴ L, Southgate, ASEAN: still the zone of peace, freedom and neutrality? *Political Science*, 73/1, (2021).

⁵⁵ R, Emmers, Unpacking ASEAN Neutrality: The Quest for Autonomy and Impartiality in Southeast Asia, *Contemporary Southeast Asia*, 40/3, (2018).

jointly at a press conference in Jakarta⁵⁶. Both countries also pressed their counterparts at ASEAN's 38th and 39th summits to forge consensus on the issue⁵⁷.

Other states adopted a more positive stance. Singapore and the Philippines welcomed the initiative, citing their security partnerships with Washington and its role in underpinning regional stability⁵⁸. Singaporean diplomacy, however, continues to stress the importance of maintaining an open and inclusive regional order, rejecting zero-sum alignments in favour of its long-standing principle of being “a friend to all and enemy to none”⁵⁹. Vietnam, while maintaining formal neutrality, regards AUKUS as a discreet yet valuable means of balancing regional power dynamics⁶⁰.

Mekong states such as Laos and Thailand remained evasive, avoiding public comment to preserve balanced ties with both Beijing and Washington. Cambodia, while expressing moderate reservations similar to Jakarta and Kuala Lumpur⁶¹, deepened its defence ties with China, inaugurating a refurbished naval base at Ream on the Gulf of Thailand⁶². The base, jointly used for military exercises, strengthens Cambodia's strategic alignment with Beijing.

Rather than reassuring the region about the strategic role of nuclear submarines, Canberra has emphasised the rigour and transparency of its approach. In March 2023, the three AUKUS leaders issued a joint declaration presenting the “optimal pathway” for implementation, stressing their commitment to open and transparent dialogue with regional and extra-regional partners⁶³.

⁵⁶ I, Storey & W, Choong, “The AUKUS Announcement and Southeast Asia: An Assessment of Regional Responses and Concerns”, *Yusof Ishak Institute*, (2023).

<https://www.iseas.edu.sg/articles-commentaries/iseas-perspective/2023-23-the-aukus-announcement-and-southeast-asia-an-assessment-of-regional-responses-and-concerns-by-ian-storey-and-william-choong/>

⁵⁷ Reuters, “Malaysia hopes for ASEAN consensus on Australian nuclear sub”, (12 Oct. 2021). <https://www.reuters.com/world/asia-pacific/malaysia-hopes-asean-consensus-australian-nuclear-sub-pact-2021-10-12/>

⁵⁸ A.R.M, Umar & N.Y, Santoso, AUKUS and Southeast Asia's ontological security dilemma. *International Journal*, 78/3, (2023).

⁵⁹ L, Tingle, “Singapore PM Lawrence Wong signals 'shared interests' with Australia and desire to expand military ties”, *Australian Broadcasting Corporation*, (7 Oct. 2025).

<https://www.abc.net.au/news/2025-10-07/singapore-wants-to-expand-its-military-ties-with-australia/105856094>

⁶⁰ H.H, Nguyen, “Australia can count on Vietnam to support AUKUS”, *Australian Strategic Policy Institute*, (27 Oct. 2021).

<https://www.aspistrategist.org.au/australia-can-count-on-vietnam-to-support-aukus/>

⁶¹ B, Sokhean, “Cambodia raises concerns over AUKUS nuclear-submarine deal”, *Khmer Times*, (23 May 2023). <https://www.khmertimeskh.com/501294833/cambodia-raises-concerns-over-aukus-nuclear-submarine-deal/>

⁶² S, Cheang, “Cambodia's leader presides at ceremony for upgrade of naval base with help from China”, *Associated Press*, (5 Apr. 2025).

<https://apnews.com/article/china-cambodia-ream-naval-base-military-965869b132f7c339c551eebc65390453>

⁶³ US Embassy Canberra, AUKUS Joint Leaders' Statement, US Embassy & Consulates in Australia, (14 Mar. 2023).

<https://au.usembassy.gov/aukus-joint-leaders-statement/>

To reinforce this transparency drive, DFAT created new diplomatic posts in key missions, including Jakarta and Kuala Lumpur, to gather local feedback directly. Yet this strategy has exposed its limits. Some Southeast Asian officials complain that these meetings, often scheduled before new defence announcements, have become too frequent and intrusive, creating irritation rather than meaningful consultation⁶⁴.

The Great Powers

While AUKUS has already drawn criticism from two major non-aligned Southeast Asian states, Canberra's cooperation with the region risks further pressure as rivalries between Washington and Beijing reshape partnership priorities. The 2025 State of Southeast Asia survey by the Yusof Ishak Institute notably revealed that Australia is ranked fifth in ASEAN's hierarchy of strategic dialogue partners, behind the European Union and Japan⁶⁵. As Southeast Asian states diversify trade relations following Trump-era economic policies, it is telling that ASEAN convened its first-ever joint summit in May with leaders of the Gulf Cooperation Council (GCC) and China, focused on trade and investment⁶⁶. Together, ASEAN, the GCC, and China account for over 30% of global GDP, highlighting the partnership's potential weight in international commerce⁶⁷.

Geography also shapes strategic choices. States sharing land borders with China, such as Laos and Myanmar, remain highly vulnerable to Beijing's political and economic influence. Laos now depends almost entirely on Chinese financing for hydroelectric dam construction along the Mekong, with Chinese infrastructure loans making up half of its external debt⁶⁸. Myanmar's junta, meanwhile, relies almost exclusively on Beijing's political, economic, and military support to wage war against ethnic armed groups⁶⁹.

⁶⁴ S. Patton, "Widening the gap: How South-East Asia views AUKUS, *Australian Foreign Affairs*, (24 Feb. 2024). <https://www.australianforeignaffairs.com/essay/2024/02/dead-in-the-water>

⁶⁵ S. Seah., J. Lin., M. Martinus., K. Fong., P.T.P. Thao. & I.Z. Aridati, "The State of Southeast Asia 2025 Survey Report", *Yusof Ishak Institute*, (2025). <https://www.iseas.edu.sg/wp-content/uploads/2025/03/The-State-of-SEA-2025-1.pdf>

⁶⁶ S. Strangio, "ASEAN holds first trilateral summit with China, Gulf states", *The Diplomat*, (28 May 2024). <https://thediplomat.com/2025/05/asean-holds-first-trilateral-summit-with-china-gulf-states/>

⁶⁷ A. Bertrand, "ASEAN, GCC countries and China come together, forming the world's largest economic bloc", *bne Intellinews*, (29 May 2025). <https://www.intellinews.com/bertrand-asean-gcc-countries-and-china-come-together-forming-the-world-s-largest-economic-bloc-383587/>

⁶⁸ Y.F. Khong & J.C. Liow, "Southeast Asia Is Starting to Choose: Why the Region Is Leaning Toward China", *Foreign Affairs*, (24 Jun. 2025). <https://www.foreignaffairs.com/china/southeast-asia-starting-choose-khong-liow#>

⁶⁹ P.T.A. Paing, "China in Myanmar: How the Game-Changing Neighbor Would Continue to Maintain Its Influence", *STIMSON*, (2024).

Convergence with China has also been strengthened by regional dissatisfaction with Washington's support for Israel's Gaza offensive following the attacks of 7 October 2023. Indonesia, Malaysia, and Brunei have never recognised Israel diplomatically since 1948. Malaysia has been the most outspoken defender of the Palestinian cause since October 2023, with Prime Minister Anwar Ibrahim denouncing Israeli operations as "barbaric" and supporting international arrest warrants against Prime Minister Benjamin Netanyahu and former Defence Minister Yoav Gallant⁷⁰. Indonesia, under President Subianto, has voiced more measured criticism, but he too condemned Western inaction over Gaza⁷¹.

Nearly two years after Hamas's attack on Israeli territory - which claimed 1,200 lives, including civilians attending the Nova music festival - Israel's subsequent military campaign in Gaza has resulted in tens of thousands of deaths, the large-scale displacement, and severe famine⁷². These developments prompted mounting public concerns over the deteriorating humanitarian situation and daily civilian casualties, leading great and middle powers, including Australia, to formally recognise Palestine. Senior Indonesian and Malaysian representatives have also formally denounced Israel's continued occupation of Palestinian territories before the International Court of Justice (ICJ)⁷³.

Although Jakarta has benefited from tariff reductions under the Trump administration and endorsed the United States' 20-point plan for Gaza⁷⁴, any renewed Israeli offensive following the release of hostages could compel President Prabowo to assume a more assertive diplomatic stance, consistent with prevailing domestic sentiment. Malaysia, while recognising Washington's diplomatic efforts, experienced heightened trade frictions in July after the United States increased tariffs on Malaysian exports from 24% to 25%. Against this backdrop, Prime Minister Anwar invited President Trump to the October ASEAN Leaders' Summit to discuss tariff policy, offering expanded market access for US industrial and agricultural goods in

<https://www.stimson.org/2024/china-in-myanmar-how-the-game-changing-neighbor-would-continue-to-maintain-its-influence/>

⁷⁰S, Strangio, "Meta apologises to Malaysia for Deletion of PM's posts on Hamas assassination", *The Diplomat*, (7 Aug. 2024).

<https://thediplomat.com/2024/08/meta-apologizes-to-malaysia-for-deletion-of-pms-posts-on-hamas-assassination/>

⁷¹ Y, Lai & D, Suhenda, "Prabowo calls out Western silence in Gaza conflict", *The Jakarta Post*, (14 Apr. 2025). <https://www.thejakartapost.com/world/2025/04/14/prabowo-calls-out-western-silence-in-gaza-conflict.html>

⁷² United Nations, "Famine in Gaza: 'A failure of humanity itself', says UN chief", (22 Aug. 2025). <https://news.un.org/en/story/2025/08/1165702>

⁷³ T, Dianti, "Indonesia, Malaysia demand ICJ declare Israel's presence in Palestinian lands unlawful", *Benar News*, (23 Feb. 2024).

<https://www.benarnews.org/english/news/indonesian/icj-hearings-on-israel-occupation-legality-02232024143308.html>

⁷⁴ W, Rahn, "Trump's Gaza plan finds Indonesia, Pakistan as Asian backers", *DW*, (10 Oct. 2025). <https://www.dw.com/en/trumps-gaza-plan-finds-indonesia-pakistan-as-asian-backers/a-74203903>

exchange for a reduction of American tariffs to 19% on most Malaysian exports⁷⁵. Certain products - such as steel, aluminium, and automotive components - remain subject to higher tariffs, with an additional 40% levy imposed on so-called “transshipments”⁷⁶.

Following these developments, the Asian Development Bank (ADB) revised its 2025 growth forecast for Southeast Asia downward from 4.7% to 4.3%, while maintaining its projection for 2026⁷⁷.

Domestic political dynamics in Australia may further influence Canberra’s foreign policy orientation towards Washington. Although the Liberal Party remains in opposition after suffering its worst election defeat since 1946 in May, it could regain ground by capitalising on Australians’ enduring trust in the US alliance. A recent Lowy Institute poll showed that 80% of Australians still trust Washington to guarantee national security⁷⁸.

Since the start of Prime Minister Albanese’s second term, however, political and defence ties with the Trump administration have experienced some turbulence. The Pentagon has pressed Canberra to boost defence spending and openly back US commitments to Taiwan - demands Albanese rejected, insisting defence strategy must remain driven by national priorities, budgetary constraints, and Australia’s strategic autonomy. This stance has generated domestic political opposition, with the Shadow Defence Minister, Angus Taylor, urging the Albanese government to emulate NATO by raising defence spending to 3% of GDP and explicitly committing to Taiwan’s defence⁷⁹.

Criticism from the opposition intensified after Prime Minister Albanese’s bilateral meetings with Xi Jinping in July, during which he visited the Great Wall and a panda sanctuary rather than arranging a meeting with President Trump⁸⁰. To offset criticism and shore up confidence

⁷⁵ N.I, Ismail & R, Anand, “Trump signs Malaysia trade deal with Anwar during Asia trip”, *Bloomberg*, (26 Oct. 2025).

<https://www.bloomberg.com/news/articles/2025-10-26/trump-signs-trade-deal-with-malaysia-s-anwar-during-asia-trip?embedded-checkout=true>

⁷⁶ The term refers to goods that are shipped through the region to avoid tariffs – in this case, pre-existing tariffs on Chinese goods.

⁷⁷ ADB, *Economic Forecasts for Asia and the Pacific: September 2025*.

<https://www.adb.org/outlook/editions/september-2025>

⁷⁸ R, Neelam, “Lowy Institute Poll 2025 Report”, *Lowy Institute*, (2025). <https://poll.lowyinstitute.org/report/2025/relations-in-the-indo-pacific/#united-states>

⁷⁹ N, Brissenden & S, Ferguson, “Government should be ‘prepared to act’ on Taiwan, Angus Taylor says”, *Australian Broadcasting Corporation*, (15 Jul. 2025).

<https://www.abc.net.au/news/2025-07-15/government-should-be-prepared-to-act-on-taiwan-taylor-says/105535912>

⁸⁰ P, Coorey, “Government, business reject criticism of PM’s China ‘working holiday’”, *Financial Review*, (18 Jul. 2025).

<https://www.afr.com/politics/federal/government-business-reject-criticism-of-pm-s-china-working-holiday-20250718-p5mfwj>

in AUKUS, Canberra allocated an additional USD 525 million⁸¹ to Washington in July to support expansion of US submarine shipyards and announced a AUD 12 billion investment to build a naval base in Henderson, Western Australia, to service Virginia-class submarines⁸².

These efforts yielded results, allowing Prime Minister Albanese to hold an official meeting with President Trump at the White House on 20 October. Both leaders reaffirmed the enduring cultural and security bonds between their countries while pledging to advance a critical minerals partnership⁸³. Indeed, Donald Trump announced direct investments totalling USD 1 billion over the next six months in developing mining and critical minerals processing projects in Western Australia and the Northern Territory⁸⁴. Pennsylvania-based firm Alcoa will notably contribute to developing a gallium refinery in Wagerup, south of Perth.

It remains uncertain whether this framework will ensure a reliable supply of processed critical minerals to Southeast Asian markets, given the Trump administration's continued adherence to protectionist industrial policies. White House officials have stated publicly that the administration intends to employ every available mechanism to safeguard US national and economic security interests, including the establishment of a strategic minerals reserve⁸⁵.

The Liberal Party's enduring commitment to the US alliance remains unsurprising. When in government, the party traditionally upheld close ties with Washington. Under John Howard, who cultivated a personal relationship with George W. Bush, Australian troops joined US-led coalitions in Afghanistan and Iraq following the 11 September 2001 attacks, revitalising the alliance after Paul Keating's emphasis on Southeast Asia. Should the Liberals, now led by Sussan Ley, return to government in 2028, closer alignment with Washington could come at the expense of deeper regional engagement, potentially driving some ASEAN states deeper into China's orbit.

Despite ongoing South China Sea disputes, these tensions have not slowed ASEAN's economic integration with China. In January, Malaysia, Thailand and Vietnam joined the

⁸¹ Reuters, "Australia makes second \$525 million AUKUS payment amid US review", (23 July 2025).

<https://www.reuters.com/world/asia-pacific/australia-makes-second-525-million-aukus-payment-amid-us-review-2025-07-23/>

⁸² S, Dick & M, Truu, "Albanese government pours \$12 billion into expanding AUKUS defence facility near Perth", *Australian Broadcasting Corporation*, (13 Sep. 2025).

<https://www.abc.net.au/news/2025-09-13/albanese-announces-aukus-12-billion-dollar-defence-spend-perth/105770188>

⁸³ N, Sherman, "US and Australia sign rare earths deal to counter China's dominance", *BBC*, (21 Oct. 2025).

<https://www.bbc.com/news/articles/cly9kvrdk2xo>

⁸⁴ *Ibid.*

⁸⁵ A, Swanson, "The US Struggles to Break Out From China's Grip on Rare Earths", *The New York Times*, (22 Oct. 2025).

<https://www.nytimes.com/2025/10/22/us/politics/china-trump-rare-earths.html>

BRICS as official partners and are pursuing full membership, following Indonesia's lead. The presence of Indonesian, Malaysian, and Vietnamese leaders at China's 80th Victory Day parade on 3 September in Beijing underscores this growing alignment⁸⁶.

In a region central to global supply chains, Washington's protectionist policies and hostile rhetoric are seen as direct provocations. President Xi's April visits to Vietnam, Malaysia, and Cambodia sought to capitalise on existing tensions, drawing these states closer to China. Beyond anti-colonial rhetoric, Beijing's diplomacy produced concrete deals in agriculture, rail infrastructure, and emerging technologies⁸⁷.

This renewed diplomatic outreach occurs amid a broader Western retrenchment in development assistance. At the outset of his second term, President Trump suspended some USD 60 billion in development aid⁸⁸. The European Union and the United Kingdom also cut their annual allocations by USD 17.2 billion and USD 7.6 billion, respectively⁸⁹. Historically, the United States, the United Kingdom, and the EU have played vital roles in Southeast Asia - providing 18% of health funding, 37% of education financing, and 68% of biodiversity support⁹⁰. Western donors also provide nearly two-thirds of funding for civil society development, a disproportionate share that directly affects these essential sectors⁹¹. The contraction of American aid, in particular, risks weakening Washington's geopolitical influence, especially across mainland Southeast Asia, notably in Cambodia and Laos.

As ASEAN states consider deepening their engagement with China, two principal risks emerge. First, reduced competition diminishes incentives for China to improve BRI governance, particularly regarding debt sustainability and project transparency. Second, as fiscal constraints tighten, Chinese financing is increasingly likely to advance Beijing's strategic interests rather than the development priorities of recipient states. Collectively, these dynamics

⁸⁶ S, Hofstede, "China's overtures to Southeast Asia: Xi takes the lead", *Think China*, (2 Sep. 2025).

<https://www.thinkchina.sg/politics/chinas-overtures-southeast-asia-xi-takes-lead>

⁸⁷ F, Guarascio., K, Vu & P, Nguyen, "China, Vietnam sign deals as Xi visits Hanoi amid US tariff tensions", *Reuters*, (14 Apr. 2025).

<https://www.reuters.com/world/asia-pacific/chinas-xi-meet-vietnam-leaders-kick-off-southeast-asia-tour-amid-us-tariffs-2025-04-14/>

⁸⁸ F, Tanis & F, Langfitt, "The Trump administration kills nearly all USAID programs", *National Public Radio*, (26 Feb. 2025).

<https://www.npr.org/sections/goats-and-soda/2025/02/26/nx-s1-5310673/usaid-trump-administration-global-health>

⁸⁹ A, Dayant., G, Stanhope., R, Rajah & H, Buckley, "Southeast Asia Aid Map: 2025 Key Findings", *Lowy Institute*, (2025).

<https://seamap.lowyinstitute.org/analysis/2025/key-findings/>

⁹⁰ Ibid.

⁹¹ P.T, Mongkhonvanit, "US and Chinese Development Aid in Southeast Asia: The Impact on Vulnerable Groups", *Asia Society Policy Institute*, (2024).

<https://asiasociety.org/policy-institute/us-and-chinese-development-aid-southeast-asia-impact-vulnerable-groups>

may erode the ability of Southeast Asian states to exert decisive influence over the terms of aid, thereby constraining their capacity to secure financing conditions aligned with their national priorities.

Conclusion

In a regional geopolitical environment marked by intensifying strategic rivalry in the South China Sea and renewed trade protectionism in the United States, diplomatic and economic cooperation focused on risk reduction between Canberra and ASEAN member states appears particularly timely. This approach could rest on two pillars: military deterrence and diplomatic engagement.

Australia seems to have the greatest room for manoeuvre with the Philippines in strengthening military deterrence against China's growing activity in the Philippine EEZ. Championed by Prime Minister Albanese, the bilateral relationship was elevated to a strategic partnership in September 2023 during the first visit by an Australian head of government to the Philippines in eight years. Since then, this dynamic has translated into an intensification of joint exercises, notably in February, when Australian, Philippine, Japanese, and US vessels conducted freedom of navigation operations in the Philippine EEZ. Australia also took part in the annual Balikatan exercise, organised in April by the United States and the Philippines, which mobilised land, naval, and air forces to enhance interoperability and operational readiness.

Alongside these military efforts, Canberra could rely on diplomacy by working with regional partner states to mitigate strategic risks. Relations with Indonesia, Malaysia and Vietnam have notably strengthened since 2022, forming a diplomatic foundation that could support a regional initiative aimed at encouraging major powers, the United States and China, to adopt a common vision for mechanisms to prevent maritime and aerial incidents.

Although Australia is perceived as an established middle power in the region - having overtaken Russia to become the fifth-ranked regional power thanks to its strengthened defence networks and proactive diplomacy⁹²- its long-term influence remains uncertain. It faces direct commercial competition from China, while scepticism persists among historically non-aligned states regarding the AUKUS partnership.

On climate security, China's green investments in Southeast Asia, which accelerated significantly from 2019, have become entrenched. This commitment relies heavily on China's

⁹² Lowy Institute, Asia Power Index 2024 Edition.
<https://power.lowyinstitute.org/>

comparative advantage in lithium battery manufacturing. Beijing now controls more than 80% of global battery cell production and over half of the world's electric vehicle output. This industrial capacity serves as a key driver of the energy transition in countries such as Indonesia and Thailand, which are gradually seeking to phase out combustion engines. Their growing integration into China's economy is likely to deepen as their status within BRICS strengthens. This trend unfolds against the backdrop of China outpacing Australia in several key technological sectors across the region, including telecommunications (Huawei, ZTE), electric vehicles (BYD, CATL), and renewable energy equipment.

In the face of China's commercial competition, Australia could reinforce its engagement with regional countries by leveraging its comparative advantage in the mining sector to meet their immediate and long-term needs. While the Albanese government has pledged to invest in mining and critical minerals processing projects in Western Australia and the Northern Territory, it is unlikely to reduce China's considerable market share in this sector immediately. Nevertheless, aligning Australian critical minerals exports with regional electrification goals - such as Jakarta's plan to produce nine million electric motorbikes and 600,000 electric vehicles by 2030 - would bolster Canberra's strategic credibility and regional influence.

Australia's capacity to advance further its own clean energy transition, however, will depend heavily on domestic political dynamics. A potential return of the Liberal Party to power in 2028 could alter the trajectory of energy policy, given its persistent advocacy for nuclear energy and scepticism towards renewables. While Deputy Leader of the Opposition, Sussan Ley consistently championed this stance and opposed parliamentary investment in renewables. Given Southeast Asia's growing demand for clean energy, the onus is on the Albanese government to accelerate sectoral development by expanding public support for renewable energy enterprises, thereby rendering any future reversal of energy policy politically and economically infeasible.

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