May 22, 2026

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REPORT

Southeast Asia: What leverage do ASEAN member states hold amid rising Sino-American competition and regional instability?

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ISSN : 2739-3283

How to cite this publication:

Kareem Salem (dir.), *Southeast Asia: What leverage do ASEAN member states hold amid rising Sino-American competition and regional instability?*, Institute for Applied Geopolitical Studies, Paris, May 22, 2026.

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Preface

The strategic landscape of the Indo-Pacific region is undergoing a profound transformation, shaped primarily by the intensifying geopolitical rivalry between the United States and China. Situated at the centre of this evolving regional order, the Association of Southeast Asian Nations (ASEAN) increasingly finds itself navigating a complex environment marked by military competition, economic interdependence, technological rivalry, and competing diplomatic visions. While ASEAN has long sought to preserve its centrality and strategic autonomy through multilateralism and consensus-building, the growing polarisation of the international system poses new challenges to the organisation's cohesion, resilience, and long-term relevance.

This research project examines ASEAN's evolving role amid the strategic competition between Washington and Beijing, while analysing how regional actors seek to avoid excessive entanglement in great-power rivalry. Particular attention is devoted to ASEAN's expanding partnerships with middle powers such as India and Australia, reflecting efforts to sustain the rules-based Indo-Pacific order. The study explores how these partnerships, alongside ASEAN-led institutions, contribute to regional security cooperation, economic diversification, maritime governance, and diplomatic balancing. Through its institutions, ASEAN asserts its centrality, converting structural vulnerabilities into institutional leverage to influence regional norms.

Beyond traditional security considerations, the project investigates the growing significance of digital governance, artificial intelligence, and cultural diplomacy as instruments through which ASEAN states seek to strengthen resilience and strategic flexibility. As technological competition becomes increasingly central to international politics, Southeast Asian countries are attempting to shape regulatory frameworks, diversify technological partnerships, and leverage digital policy to preserve autonomy in an era of systemic rivalry. Simultaneously, cultural diplomacy and people-to-people engagement continue to serve as important mechanisms for maintaining regional cohesion and mitigating geopolitical fragmentation.

By analysing these dynamics, this research seeks to contribute to broader debates surrounding Indo-Pacific security, middle-power diplomacy, regional institutionalism, and the future of ASEAN centrality in an increasingly contested international order.

Southeast Asia's India partnerships: increasing leverage amid the US-China competition

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A ghost has been haunting Southeast Asia for more than a decade, the ghost of the US-China competition. This competition, which has greatly intensified during the last fifteen years, has put Southeast Asian countries in an increasingly difficult position. On one hand, China is Southeast Asia's (SEA) leading trade partner and an important source of investment and technology, both of which bolster the economic development on which SEA elites depend for legitimacy and stability. Of course, Beijing is also a key political and military power in the region, on which states like Cambodia, Myanmar, and Laos rely.

On the other hand, the US is the leading investor in the region, a major export market, and a key balancer against an increasingly assertive China, particularly in the disputed South China Sea. Washington is also a close defense partner and security provider for the Philippines, Singapore and, at least nominally, Thailand.

Clearly, SEA needs both superpowers and can ill afford the costs and risks of antagonizing either. Therefore, most Southeast Asian states have tried to balance between China and the US, both individually and through ASEAN. However, this balancing act has become progressively more difficult. ASEAN states have limited leverage over the superpowers. Moreover, both the intensification of the competition and Washington's weaponization of trade to pressure SEA states and limit their economic relationship with Beijing have made balancing harder.

Against this background, India's profile in SEA has gradually risen. Building on their historical and cultural connections, India and SEA have advanced substantially their economic, political, and military relations. Importantly, several ASEAN countries have made a concerted effort to build partnerships with Delhi.

How do these partnerships with India affect Southeast Asia's leverage on the US and China? The following paper examines this research question and argues that the partnerships of SEA states

with India help diversify their trade and strategic options beyond Beijing and Washington, strengthen their strategic autonomy, balance against Chinese assertiveness, and expand their international space. The practical result for ASEAN and its members is greater policy flexibility, less reliance on the two superpowers, and reduction of the costs and risks of balancing between them. Hence, partnerships with India increase the strategic leverage of ASEAN and its members on China and the US and facilitate their balancing between the two superpowers.

India's unique position

To grasp how partnerships with India increase the leverage of SEA states vis-à-vis China and the US, it is important to understand Delhi's unique position in the region. India is a rising, multi-aligned power, with growing economy and expanding military footprint in the Indo-Pacific. Crucially, while closer to Washington than to Beijing, Delhi is not aligned with either superpower and has striven to keep a balance between them. India's multi-aligned foreign policy is embodied in Delhi's memberships in the US-led Quad and in revisionist clubs such as the Shanghai Cooperation Organization (SCO) and BRICS, all groupings of rising importance to SEA. All this makes India a desirable partner for ASEAN states.

Broadly, India assists SEA's balancing act between Beijing and Delhi and, hence, increases their leverage in four ways. First, Delhi offers an alternative source of major power support to SEA states, enabling them to depend less on China and the US. Second, India provides specific benefits to SEA states, as a partial substitute for those provided by the two superpowers, and thus reduces the need to turn to the superpowers and the risk of entanglement. Such benefits include weapons, trade, infrastructure development, and technologies. Third, India enables regional states to participate in India-led formats and organisations, such as BIMSTEC[1], IORA[2], and IONS[3], expanding their international space beyond formats dominated by the two superpowers. Finally, partnerships with India enable SEA countries to balance China, an increasingly dominant presence in their region, without having to lean excessively toward Washington and hence provoking Beijing.

Of course, India's material constraints and its focus on South Asia limit the leverage that partnership with Delhi offers SEA states. India can neither become their patron nor change decisively their strategic situation amid the US-China competition. Nevertheless, India's rise means that their partnerships with Delhi represent a long-term bet on the bargaining leverage that India's rise might bring in the future.

[1] Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC)
[2] Indian Ocean Rim Association (IORA)
[3] Indian Ocean Naval Symposium (IONS)

Partnership with India helps SEA countries gain leverage on China and the US on two levels, on the level of ASEAN and on the level of individual states.

The India-ASEAN partnership

On ASEAN level, India helps SEA's balancing act and enables it to gain leverage in several ways. First, India helps expand ASEAN's trade options beyond China and the US through the ASEAN-India Free Trade Area (AIFTA)[1], based on a series of trade and investment agreements. India's continued economic rise is likely to expand this space further. While AIFTA has not produced the expected results, it is currently under renegotiation and likely to be upgraded to include digital and services[2].

Second, partnering with India enhances ASEAN's strategic autonomy by giving it strategic options beyond Washington and Beijing. This partnering is embodied in the 2022 ASEAN-India Comprehensive Strategic Partnership[3], which emphasizes maritime security, infrastructure development, sustainability, and cooperation in fintech and AI. Delhi's advances in fintech, particularly the use of the Unified Payments Interface (UPI), and in AI development and adoption are likely to be particularly attractive to ASEAN.

Third, ASEAN's maritime partnership with India strengthens the bloc's strategically autonomous position in both the contested South China Sea and in the Indo-Pacific. Crucially, the partnership hedges against Beijing without aligning with Washington. The India-ASEAN maritime cooperation has taken various forms, such as the 2023 ASEAN-India Maritime Exercise (AIME)[4] conducted in the South China Sea, collaboration with ASEAN's maritime security Information Fusion Centre[5], and Indian participation in ADMM-Plus Experts' Working Group (EWG) on Maritime Security[6].

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[1] ASEAN, 'Building the ASEAN community Asean-India Free Trade Area (AIFTA),' https://www.asean.org/wp-content/uploads/images/2015/October/outreach-document/Edited%20AIFTA.pdf , accessed 6 April 2026.
[2] Amitendu Palit, 'India-ASEAN Free Trade Agreement: Turning a Bad Deal into a Good One?,' *Institute of South Asian Studies (ISAS) Briefs*, (21 Jul. 2025), https://www.isas.nus.edu.sg/papers/india-asean-free-trade-agreement-turning-a-bad-deal-into-a-good-one/, accessed 6 April 2026.
[3] ASEAN, 'Joint Statement on ASEAN-India Comprehensive strategic partnership' (12 Nov. 2022), https://asean.org/wp-content/uploads/2022/11/Joint-Statement-on-ASEAN-India-CSP-final.pdf, accessed 6 April 2026.
[4] R. Rajagopalan, 'India, ASEAN Hold First Maritime Exercises,' *Observer Research Foundation (ORF)*, (16 May 2023), https://www.orfonline.org/research/india-asean-hold-first-maritime-exercises, accessed 6 April 2026.
[5] Ministry of Defense (Singapore), 'Fact Sheet on Information Fusion Centre (IFC) and Launch of IFC Real-Time Information-Sharing System (IRIS),' (14 May 2019), https://www.mindef.gov.sg/news-and-events/latest-releases/14may19_fs/ , accessed 6 April 2026.
[6] ADMM, 'About the ASEAN Defence Ministers' Meeting Plus,' (1 Jan. 2026), https://admm.asean.org/index.php/about-admm/about-admm-plus.html, , accessed 6 April 2026.

Finally, the institutional partnership with India strengthens the increasingly contested ASEAN Centrality, the core principle for ASEAN. ASEAN Centrality and the bloc's unity have been challenged by divisions generated by the US-China competition, Beijing's cultivation of allies inside ASEAN, and US President Donald Trump's trade policies, which have forced members into competitive deal making. In comparison, India has not sought to divide ASEAN and has persisted in engaging the organisation.

India's partnerships with individual ASEAN states

On the level of individual ASEAN states, partnerships with India enhance leverage in four ways.

First, strategic partnerships with India serve as a hedging strategy against the pressures and the unpredictable dynamics of the Sino-American competition. Singapore, the Philippines, Malaysia, Indonesia, and Vietnam have established comprehensive strategic partnerships with Delhi, some of which have been clearly formulated as hedging or balancing strategies. Importantly, while these partnerships usually have economic components, some have been strengthened by the parallel establishment of a Comprehensive Economic Cooperation Agreement (CECA), as in the cases of Singapore and Malaysia[1]. Reportedly, Indonesia and the Philippines are also in the process of negotiating such agreements with India.

Second, partnerships with India serve as a strategic counterweight to Chinese power in the region. For countries with tense relations with Beijing, especially in the South China Sea, Indian naval power offers a means to balance China. The Philippines[2] and Vietnam[3] have conducted joined patrols and naval exercises with India in the South China Sea, while Hanoi has partnered with an Indian company to explore and exploit gas and oil reserves in its contested waters[4]. More implicitly, regional countries reliant on China have used India to reduce their dependence. For

[1] Temjenmeren Ao, 'Strengthening India's Partnership with Malaysia and Singapore: The PM's Recent Visit,' *Indian Council of World Affairs* (ICWA), (11 Jul. 2018), https://www.icwa.in/show_content.php?lang=1&level=3&ls_id=2553&lid=1832, accessed 6 April 2026.
[2] Sabastian Strangio, 'Philippines, India Wind Up First Joint Naval Exercise in South China Sea,' *The Diplomat*,(5 Aug. 2025), https://thediplomat.com/2025/08/philippines-india-wind-up-first-joint-naval-exercise-in-south-china-sea/#:~:text=The%20India%2DPhilippines%20Maritime%20Cooperative%20Activity%20(MCA)%20was,in%20defense%20cooperation%20between%20the%20two%20countries, accessed 6 April 2026.
[3] Kristin Huang, 'South China Sea: India, Vietnam to conduct military 'passing exercise' in sign of closer ties,' *South China Morning Post*, (26 Dec. 2020), https://www.scmp.com/news/china/military/article/3115357/south-china-sea-india-vietnam-conduct-military-passing-exercise, accessed 6 April 2026.
[4] 'ONGC Videsh secures contract extension for Vietnam oil blocks,' *The Economic Times*, (19 Aug. 2024), https://economictimes.indiatimes.com/industry/energy/oil-gas/ovl-secures-contract-extension-for-vietnam-oil-blocks/articleshow/112626501.cms?from=mdr, accessed 6 April 2026.

instance, in the China-dominated field of infrastructure development, Myanmar and Thailand have partnered with Delhi to develop the India-Myanmar-Thailand Trilateral Highway[1].

Third, partnerships with India facilitate SEA participation in various international clubs, either led by Delhi or in which Delhi is a key member, enabling ASEAN countries to expand their strategic space. Such India-led clubs include organizations such as BIMSTEC, IORA, and naval formats such as IONS. In the case of groupings such as SCO and BRICS, India's presence has reassured SEA states that these organizations will not become China-dominated and anti-American. This has led several ASEAN countries to participate as observers and dialogue partners in both clubs, with Indonesia even joining BRICS as a member in 2025[2]..

Fourth, defence cooperation with India strengthens SEA states militarily and hence improves their position vis-à-vis both China, a potential security threat, and the US. This defense cooperation includes Indian arms sales, such as BrahMos missiles to the Philippines and likely to Indonesia[3], joint maintenance of Russian-origin aircraft with Malaysia, Indian training of officers[4], and potential joint arms development and defense industrial cooperation with Vietnam[5]. To this it is important to add military exercises such as the VINBAX army exercises with Vietnam[6], the Samudra Shakti naval exercises with Indonesia[7], and the SIMBEX naval exercises with Singapore[8].

[1] 'Indian envoy reviews key trilateral highway project in Myanmar's Kalemyo,' *The Economic Times*, (1 Aug.2025), https://infra.economictimes.indiatimes.com/news/roads-highways/india-myanmar-thailand-highway-indian-envoy-reviews-progress-on-key-project-in-myanmar/123039245, accessed 6 April 2026.
[2] Reuters, 'Indonesia joins BRICS bloc as full member, Brazil says,' (7 Jan. 2025), https://www.reuters.com/world/indonesia-join-brics-bloc-full-member-brazil-says-2025-01-06/, accessed 6 April 2026.
[3] Surendra Singh,' After Philippines, Indonesia agrees to procure BrahMos missiles from India', *Times of India*, (11 Mar. 2026), https://timesofindia.indiatimes.com/defence/news/after-philippines-indonesia-agrees-to-procure-brahmos-missiles-from-india/articleshow/129420730.cms , accessed 6 April 2026.
[4] 'India, Malaysia expand defence ties, advance Su-30 upkeep cooperation,' *Business Standard*, (19 Feb. 2025), https://www.business-standard.com/external-affairs-defence-security/news/india-malaysia-expand-defence-ties-advance-su-30-upkeep-cooperation-125021901148_1.html, accessed 6 April 2026.
[5] Sushmita Sihwag,' Enhancing defence industry and technology cooperation with Vietnam,' *National Maritime Foundation*, (24 Nov. 2025), https://maritimeindia.org/enhancing-defence-industry-and-technology-cooperation-with-vietnam/, accessed 6 April 2026.
[6] Embassy of Socialist Republic of Viet Nam, 'Viet Nam and India Inaugurate VINBAX 2025, the Bilateral United Nations Peacekeeping Exercise,'(13 Nov. 2025), https://vietnamembassydelhi.in/viet-nam-and-india-inaugurate-vinbax-2025-the-bilateral-united-nations-peacekeeping-exercise/, accessed 6 April 2026.
[7] V. Kamalakara Rao, 'India, Indonesia begin naval drill,' *The Hindu*, (16 Oct. 2025), https://www.thehindu.com/news/cities/Visakhapatnam/india-indonesia-begin-naval-drill/article70167629.ece, , accessed 6 April 2026.
[8] Wong Yang, 'Singapore and India conclude 5-day maritime exercise,' *The Straits Times*, (2 Aug. 2025), https://www.straitstimes.com/singapore/singapore-and-india-conclude-5-day-maritime-exercise, accessed 6 April 2026.

Significantly, India also conducts trilateral exercises with Singapore and Thailand (SITMEX)[1] and with Indonesia and Japan[2].

India's partnerships with individual SEA states and with ASEAN help SEA's careful balancing between the US and China by increasing the region's leverage on the two superpowers. Of course, both this leverage and India's ability to help SEA's balancing act should not be exaggerated. The India factor is important but not decisive in SEA's geopolitics dominated by the US-China competition. However, its importance is increasing with both India's rise and SEA's growing need for balancing. This means that one day Delhi might become a critical factor in SEA's geopolitics and in the region's balancing between the two superpowers.

[1] Ministry of Defence (Singapore), 'Singapore, India and Thailand Conclude Trilateral Maritime Exercise, Reaffirming Long-Standing Defence Relations,'(29 Nov. 2025), https://www.mindef.gov.sg/news-and-events/latest-releases/29nov25-nr/, accessed 6 April 2026.
[2] Kaveri Jain, 'India–Japan–Indonesia Naval Drill in the Andaman Sea Signals a New Indo-Pacific Security Alignment,' *Economic Diplomacy*, (23 Feb. 2026), https://www.economicdiplomacy.in/post/india-japan-indonesia-naval-exercise-andaman-sea-2026#:~:text=While%20the%20world's%20eyes%20are,Security%20and%20Growth%20Across%20Regions), accessed 6 April 2026.

Digital Leverage : How ASEAN Uses AI, Culture and Tech Policy. Between the United States and China

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The intensifying strategic rivalry between the United States and China has fundamentally reshaped global geopolitics, with South-East Asia emerging as a critical zone of great-power contestation (Goh, 2021). Yet characterising the ten member states of the Association of Southeast Asian Nations (ASEAN) as passive recipients of this rivalry fundamentally misreads their behaviour. Over the past decade, and with mounting sophistication since 2020, ASEAN states have developed a multi-dimensional strategy of what this paper terms 'digital hedging': the selective, calibrated adoption of digital infrastructure, AI governance frameworks, and cultural diplomacy initiatives as instruments of strategic leverage, designed to maximise the economic and political benefits of U.S.–China competition whilst preserving the regulatory flexibility and political autonomy that ASEAN's foundational doctrine of non-alignment requires.

The argument proceeds in five stages. Following a review of the relevant literature and a methodological note, the paper examines ASEAN digital infrastructure positioning, AI governance as geopolitical tool, and cultural diplomacy through digital platforms. It then considers the Korean Wave (Hallyu) as a comparative paradigm for understanding structured cultural soft power. A concluding section addresses implications, risks, and areas requiring further research.

Literature Review and Theoretical Framework

Existing scholarship on ASEAN's response to U.S.–China competition has largely concentrated on traditional diplomatic and economic dimensions—alliance management, trade diversification, and the management of territorial disputes (Kuik, 2016; Goh, 2005). The hedging concept, introduced to explain how middle and smaller powers navigate great-power competition through diversified rather than unilateral engagement, provides the theoretical foundation for this analysis. Goh (2005) demonstrated that South-East Asian states systematically avoid binary alignment, pursuing engagement with multiple powers simultaneously to preserve strategic flexibility.

Recent developments in digital geopolitics, however, require extending this framework. Segal (2020) argues that control over digital infrastructure, AI standards, and platform governance has become a principal axis of great-power competition, comparable in strategic significance to control over sea lanes or nuclear arsenals. Wong (2024) demonstrates specifically that AI governance frameworks carry geopolitical implications that extend well beyond technical standardisation, shaping trade relationships, security cooperation arrangements, and the normative order within which digital commerce operates.

The concept of 'digital hedging' developed in this paper synthesises these strands. It describes the deliberate construction of regulatory frameworks, infrastructure arrangements, and cultural policy architectures that allow states to engage multiple digital ecosystems simultaneously without foreclosing future options. Crucially, digital hedging is not merely reactive—it involves the active use of regulatory power, market size, and cultural attractiveness as instruments of leverage in negotiations with both superpowers.

The cultural dimension of digital geopolitics has received comparatively less attention in the international relations literature, though it is addressed in cultural policy scholarship. Research on sustainable cultural governance models has demonstrated how structured acceleration driven by policy architecture enables durable soft power positioning (Noh, 2026a), whilst work on AI governance has shown that inclusion in the design of AI systems represents a governance question with distributive implications that extend well beyond technical adjustment (Noh, 2026b). These insights inform the analysis of both ASEAN's cultural diplomacy and the Korean comparison developed below.

Methodology

This study employs qualitative analysis combining policy document review, discourse analysis, and comparative case studies spanning 2020–2025. Primary sources include official digital economy strategies, AI governance frameworks, and cultural diplomacy initiatives from Singapore, Vietnam, Indonesia, and Thailand. The analytical framework draws on scholarship examining how AI governance functions simultaneously as technical infrastructure and as a form of normative practice with legal and aesthetic dimensions (Noh, 2025c).

Case selection reflects the diversity of ASEAN approaches across multiple dimensions: development level, political system, economic size, and degree of exposure to Chinese investment and American security relationships. Singapore, as a highly developed city-state with a hub strategy dependent on openness to multiple powers, occupies one end of the spectrum. Indonesia, as the region's largest economy pursuing technological sovereignty, occupies another. Vietnam repre-

sents a state managing proximity to China with historically rooted wariness, whilst Thailand illustrates a middle-income economy seeking to leverage foreign investment competition to accelerate domestic digital transformation.

Secondary analysis draws on government statements, multilateral agreements, industry reports, and academic literature. The comparative section on Korea draws on the author's prior research into Korean cultural policy, AI governance, and legislative development (Noh, 2025a; Noh, 2026a), as well as primary Korean government documentation.

Digital Infrastructure and Strategic Positioning

ASEAN states have demonstrated considerable sophistication in positioning themselves within competing digital ecosystems. Singapore exemplifies this approach through its Smart Nation initiative, which strategically incorporates American cloud services (Amazon Web Services, Microsoft Azure, and Google Cloud all maintain major South-East Asian data centres in Singapore) alongside Chinese 5G infrastructure, whilst developing strict data governance standards that apply equally to providers from both powers (Vaswani, 2023). This symmetrical regulatory treatment is itself a form of strategic communication: it signals to both Washington and Beijing that Singapore's governance framework is not an instrument of political alignment but a genuinely neutral architecture designed to attract and retain the most competitive digital infrastructure available.

Singapore's position as a regional data hub has strategic consequences that extend beyond commercial advantage. As the primary routing point for internet traffic across much of South-East Asia, Singapore possesses structural leverage in negotiations over data governance standards, cybersecurity cooperation, and the terms on which digital platforms operate within the region. This leverage is not incidental—it is the product of deliberate infrastructure investment decisions made over decades, creating an asymmetry that smaller ASEAN members cannot readily replicate but from which they benefit indirectly through Singapore's role in regional negotiations.

Vietnam's approach illustrates a different dimension of digital hedging. Despite its proximity to China and the historical and political entanglements that proximity entails, Vietnam has strategically welcomed American technology companies and investments whilst developing indigenous digital capabilities through a cybersecurity law that applies data localisation requirements symmetrically to both U.S. and Chinese firms (Nguyen, 2022). This regulatory symmetry serves a dual function: it prevents either power from using data governance frameworks as instruments of intelligence collection, whilst simultaneously compelling both powers to invest in local infrastructure as the price of market access.

Indonesia has pursued digital hedging through what might be termed regulatory nationalism: frameworks that mandate local data storage, require local partnerships for foreign technology providers, and extract technology transfer commitments from both American and Chinese firms as a condition of market access (Pratama, 2023). Indonesia's leverage in these negotiations derives primarily from market size—a population of 270 million, with rapidly expanding digital connectivity, makes Indonesia one of the most significant digital markets in the world outside China itself. Both American platform giants and Chinese technology champions have demonstrated willingness to make substantial concessions to maintain access.

Thailand's digital strategy focuses on attracting technology investment from both power blocs through competitive incentives, positioning the country as a manufacturing and innovation hub for digital hardware and software. Unlike Singapore's hub strategy, which leverages existing institutional and infrastructure advantages, Thailand's approach is primarily aspirational—seeking to accelerate technological development by intensifying competition between American and Chinese investors for preferential access to the Thai market.

AI Governance as Geopolitical Tool

AI governance has emerged as a particularly significant instrument of digital hedging. ASEAN states recognise that AI standards and regulations carry geopolitical implications that extend well beyond their technical content, shaping everything from trade relationships to security cooperation arrangements and technological leadership. This recognition is well-founded: the choice between American-style innovation-first regulatory frameworks, which prioritise market-led development with post-hoc oversight, and Chinese-style state-directed models, which emphasise public benefit objectives and state oversight of strategic AI applications, reflects fundamentally different visions of the relationship between technology, market, and state authority.

Singapore's Model AI Governance Framework represents a sophisticated attempt to occupy a neutral position in this governance competition. By developing principles compatible with American emphasis on innovation, transparency, and individual rights, whilst simultaneously incorporating elements of the collective benefit orientation that characterises Chinese AI governance rhetoric, Singapore has positioned itself as a potential standard-setter for the wider region (Lee, 2023). The framework has attracted AI research and development investment from both American and Chinese technology firms, transforming Singapore into a live laboratory for governance models that neither superpower would endorse in its own jurisdiction but both will accept in a neutral third-party setting.

Thailand's AI ethics guidelines similarly demonstrate calibrated positioning. The framework incorporates liberal democratic values around transparency and accountability, alongside state-

directed development priorities that reflect the interests of a government that has historically been receptive to Chinese infrastructure investment (Chantarasombat, 2022). This combination enables Thailand to engage constructively with both the American-led Partnership for Global Infrastructure and Investment and Chinese Belt and Road digital components without fully committing to either framework.

Indonesia's AI governance approach prioritises development impact: the framework emphasises AI applications that directly benefit local communities, address sustainable development priorities, and support inclusive economic growth. This values-based framing appeals simultaneously to Western ethical frameworks concerned with human rights and development equity, and to Chinese development diplomacy narratives that emphasise technology as a tool of poverty reduction and economic modernisation. By anchoring its AI governance in development outcomes rather than governance process, Indonesia avoids the normative competition between liberal and authoritarian AI governance models whilst maintaining access to both.

The ASEAN Digital Masterplan 2025 represents the collective expression of these national strategies, establishing regional digital standards that accommodate diverse national preferences whilst maintaining engagement with multiple technology providers (ASEAN Secretariat, 2021). The Masterplan's inclusive approach to AI governance—acknowledging multiple valid governance models rather than mandating a single regional framework—reflects the ASEAN consensus tradition whilst also providing member states with the flexibility to pursue bilateral digital arrangements with either superpower without violating regional commitments.

Cultural Diplomacy, Digital Platforms, and Soft Power

Cultural diplomacy through digital platforms represents a third, and comparatively undertheorised, dimension of ASEAN's strategic agency. States across the region are increasingly utilising creative industries and digital media to project regional and national identity, creating soft power assets that function independently of alignment with either great power (Rahman, 2024). The strategic logic is that cultural attractiveness—the capacity to generate genuine affinity through the appeal of a nation's cultural products—provides a form of influence that is difficult for great powers to acquire through coercive or financial means, and that creates goodwill across audiences in both the American and Chinese cultural spheres.

Indonesia's creative economy initiatives illustrate this approach at its most ambitious. The government's promotion of Indonesian cultural forms—batik design, gamelan music, wayang puppet theatre, contemporary Indonesian cinema—through digital platforms simultaneously serves multiple strategic purposes (Sari, 2023). Domestically, it strengthens national identity in a country of

extraordinary cultural diversity. Regionally, it projects Indonesian cultural leadership commensurate with the country's demographic and economic weight. Internationally, it creates soft power assets that generate affinity among audiences in both Western and Asian markets, reducing Indonesia's dependence on either great power's cultural sphere.

Vietnam's digital content governance reflects the particular challenges of cultural hedging in a state with a strong tradition of government oversight of cultural production (Tran, 2022). The government promotes Vietnamese cinema, literature, and visual arts through international digital distribution, generating cultural soft power that is genuinely distinct from both American and Chinese cultural output. Vietnamese cinema in particular—drawing on a history of wartime experience, post-war reconstruction, and rapid modernisation—offers narratives that resonate with audiences in the Global South in ways that neither Hollywood nor Chinese state-produced content can readily replicate.

Thailand's cultural diplomacy leverages the international visibility of Thai Buddhism, royal symbolism, and a rapidly developing contemporary creative sector. The combination of ancient cultural heritage and contemporary creative industry production—Thai cuisine, design, and independent film have all achieved international recognition—creates a distinctive cultural profile that neither mimics nor directly competes with the cultural outputs of either superpower. Singapore's multicultural diplomacy, projecting the city-state's successful integration of Chinese, Indian, Malay, and Western cultural influences as a model for the broader international community, similarly creates a soft power position that is structurally independent of alignment with either Beijing or Washington.

The Korean Wave as Comparative Paradigm

The Korean Wave, or Hallyu, offers the most fully developed existing model of how a state can construct structured cultural soft power through deliberate policy architecture. Understanding its mechanisms illuminates both the potential and the limits of ASEAN's cultural diplomacy strategies.

Korea's post-1997 cultural policy turn—the systematic investment in cultural industries as instruments of economic recovery and international influence following the Asian Financial Crisis—produced an institutional architecture of considerable sophistication. The Korean Film Council (KOFIC), the Korea Creative Content Agency (KOCCA), the Korean Academy of Film Arts (KAFA), and the Korean Artists Welfare Foundation together constitute what the author has elsewhere termed a 'K-Intelligence' system: an integrated arrangement that manages culture as national infrastructure, coordinating institutional investment, policy design, industrial strategy, and fandom mobilisation towards the objective of sustained global cultural influence (Noh, 2026a).

The Korean model offers three lessons specifically relevant to ASEAN states pursuing cultural diplomacy. First, institutional continuity matters more than any single policy initiative. Korea's cultural institutions have maintained consistent mandates across multiple administrations and policy cycles, creating the long-term investment environment that sustained cultural development requires. ASEAN states' cultural diplomacy programmes, by contrast, frequently reflect the priorities of individual administrations rather than durable institutional commitments.

Second, the relationship between government support and creative autonomy is delicate and consequential. Korea's international cultural success has been achieved by productions—Parasite, Squid Game, Silenced—that are socially critical, formally experimental, and culturally specific. Government policy in these cases provided funding infrastructure and distribution support without directing content. ASEAN states that attempt to use cultural diplomacy as a vehicle for positive national image projection, rather than as a framework that enables authentic creative expression, risk producing content that audiences recognise as promotional rather than genuinely expressive.

Third, platform governance and cultural soft power are inseparable. Korea's experience demonstrates that even the most successful cultural production strategy is vulnerable to capture by global digital platforms that monetise Korean content whilst retaining intellectual property rights and algorithmic control. The 2021 'Netflix Law'—amendments to Korea's Telecommunications Business Act requiring major platforms to negotiate network usage fees—represents one legislative response to this asymmetry (Noh, 2026a). ASEAN states are beginning to encounter the same challenge as their cultural industries achieve international distribution through American and Chinese platform intermediaries, and they would benefit from attending carefully to Korea's regulatory responses.

AI governance adds a further dimension to this comparison that ASEAN cultural policymakers have not yet fully engaged. The emergence of AI-generated cultural content, virtual performers, and algorithmic curation of cultural experience creates governance challenges for which no established frameworks yet exist. Korea, through the author's work at the AI Art Forum and related institutional initiatives, is developing certification and archival frameworks for AI-generated cultural works that draw on existing copyright governance models whilst addressing the novel questions of authorship and human contribution that AI generation raises (Noh, 2025c). ASEAN states developing cultural AI governance frameworks would benefit from bilateral engagement with these Korean initiatives, which offer a non-Western regulatory model developed from within an Asia-Pacific context.

Implications, Challenges, and Future Research

ASEAN's digital hedging strategy faces several structural challenges that future research must address. The most immediate is the pace of technological change. AI capabilities, digital infrastructure architecture, and platform market structures are evolving faster than regulatory frameworks can adapt, creating persistent gaps between policy intent and operational reality. ASEAN states with limited regulatory capacity are particularly exposed to this dynamic, and the expertise asymmetry between large technology platform providers and small-state regulatory agencies creates a structural disadvantage that collective ASEAN action may partially but cannot fully compensate.

The deepening integration of digital infrastructure with national security creates second-order challenges for digital hedging. As both the United States and China frame digital infrastructure decisions through explicit national security lenses—restricting the other's technology companies from their own markets whilst pressuring allies to do the same—the political costs of maintaining simultaneous engagement with both digital ecosystems increase. ASEAN states that currently benefit from neutrality may find that neutrality becomes harder to sustain as both powers intensify demands for alignment.

The cultural dimension of digital hedging faces a specific challenge in the concentration of platform intermediation. As a diminishing number of platforms control an increasing share of global content distribution, the ability of ASEAN cultural producers to reach international audiences without routing their content through platforms whose algorithmic priorities reflect the commercial interests of their American or Chinese owners is diminishing. Addressing this challenge may require regional platform development strategies of a kind that ASEAN has not yet pursued collectively.

Future research should examine the sustainability of digital hedging strategies under intensifying great-power pressure, develop more rigorous frameworks for measuring soft power outcomes from cultural diplomacy initiatives, and investigate the potential for ASEAN–Korea regulatory cooperation in AI governance for cultural industries. The question of how smaller digital economies collectively influence global AI governance norms, rather than merely adapting to them, deserves sustained analytical attention.

This paper has argued that ASEAN member states are exercising strategic agency through digital policy, AI governance, and cultural diplomacy with a sophistication that challenges standard accounts of small-state behaviour in great-power competition. Digital hedging—the simultaneous engagement of competing technological ecosystems whilst preserving regulatory flexibility—represents a coherent and increasingly institutionalised strategy, not merely an improvised response to external pressure.

The Korean Wave offers an instructive comparative model: a structured, institutionally anchored approach to cultural soft power that demonstrates both what is achievable through deliberate policy architecture and where the vulnerabilities of platform-dependent cultural export strategies lie. ASEAN states would benefit from deeper engagement with Korean cultural governance experience, particularly in the domains of AI art governance, platform regulation, and the sustainable welfare of creative workers whose labour underpins cultural production.

The broader implication of this analysis is that the emerging multipolar digital order will be shaped not only by the choices of the United States and China but significantly by the regulatory creativity, institutional development, and cultural ambition of the states that occupy the space between them. South-East Asia is not a passive terrain upon which great-power competition plays out. It is an active architect of the digital governance frameworks and cultural soft power dynamics that will define the geopolitical order of the twenty-first century.

Beyond Hedging : ASEAN's Pursuit of Autonomy amid Vulnerability

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Since the end of the Cold War, the strategic behaviour of the Association of ASEAN has frequently been interpreted through the concept of hedging. Within the literature on international relations, hedging refers to a strategy adopted by smaller or middle powers to manage uncertainty in relations with competing great powers by pursuing multiple and sometimes contradictory policies simultaneously. Rather than committing to a fixed alliance or alignment, states adopting hedging strategies seek to diversify their diplomatic, economic and security partnerships in order to reduce risks and maintain strategic flexibility (Kuik, 2008; Kuik, 2021). Scholars such as Evelyn Goh and Cheng-Chwee Kuik argue that Southeast Asian states have historically relied on hedging strategies to navigate relations between major powers, particularly the United States and China, by combining economic engagement with security cooperation while avoiding explicit alignment with either side (Goh, 2007; Kuik, 2021). Hedging, in this sense, functions as an insurance-seeking strategy designed to mitigate risks and preserve policy options under conditions of strategic uncertainty.

In the Southeast Asian context, this strategy has been particularly visible in the diplomatic behaviour of ASEAN member states. While many countries in the region have expanded economic ties with China, they have simultaneously maintained security cooperation with the United States and other external partners. Such a strategy reflects the structural realities of the regional system, where smaller states seek to maximise economic opportunities while avoiding entrapment in great-power rivalry. By pursuing diversified partnerships and avoiding rigid alignments, ASEAN states have historically attempted to preserve autonomy and maintain stability in the regional order (Kuik, 2022; Wicaksana and Karim, 2023).

However, the strategic environment of the Indo-Pacific has undergone significant transformation in recent years. Intensifying geopolitical competition between the United States and China, growing technological rivalry and the emergence of new security arrangements have altered the regional strategic landscape. The rise of minilateral initiatives such as the Quadrilateral Security Dialogue and the AUKUS reflects an increasing preference for flexible security cooperation among like-minded states. At the same time, economic interdependence and technological competition have heightened the vulnerability of Southeast Asian economies to

supply-chain disruptions, digital infrastructure competition and economic coercion. These developments have raised questions about whether traditional hedging strategies remain sufficient for managing the increasingly complex dynamics of Indo-Pacific geopolitics.

Existing scholarship has therefore begun to reconsider the analytical adequacy of hedging as the primary framework for explaining ASEAN's regional strategy. While hedging provides valuable insights into the foreign policy behaviour of individual states, it often underestimates the collective and institutional dimensions of ASEAN diplomacy. In particular, much of the literature focuses on bilateral relations between individual Southeast Asian states and major powers, paying comparatively less attention to how ASEAN as a regional organisation attempts to maintain agency and influence within the evolving regional order (Ba, 2020; Haacke and Breen, 2023). As great-power competition intensifies, the space for traditional hedging may become increasingly constrained, thereby prompting regional actors to explore alternative strategies for preserving autonomy.

This paper argues that ASEAN's contemporary diplomatic behaviour increasingly reflects a shift beyond classical hedging towards a form of institutionalised strategic autonomy. Rather than relying solely on individual state strategies to manage great-power competition, ASEAN seeks to preserve strategic space through regional institutions, multilateral diplomacy and normative initiatives. ASEAN-led platforms such as the ASEAN Regional Forum, the East Asia Summit and the ASEAN Defence Ministers' Meeting Plus enable the organisation to position itself as a central convening platform for regional diplomacy, thereby reinforcing its institutional relevance within the Indo-Pacific order.

To explain this evolving behaviour, the paper introduces the concept of vulnerability-induced adaptive autonomy. This concept highlights how structural vulnerabilities arising from economic interdependence, technological fragmentation and exposure to great-power rivalry can encourage regional institutions to develop adaptive strategies for preserving diplomatic agency and decision-making independence. Rather than leading to passive alignment with major powers, such vulnerabilities may stimulate institutional innovation, diplomatic diversification and the strengthening of multilateral mechanisms. Through this perspective, ASEAN's pursuit of centrality and institutional leadership can be understood as an effort to transform structural constraints into opportunities for maintaining strategic autonomy within an increasingly contested regional environment.

The paper therefore addresses three interrelated questions. First, to what extent is ASEAN moving beyond hedging as its dominant strategic posture? Second, how do structural vulnerabilities shape ASEAN's collective diplomatic strategy? Third, can ASEAN sustain a degree of strategic autonomy in an Indo-Pacific region characterised by intensifying great-power rivalry and deepening economic interdependence? By examining these questions, the study contributes to broader debates on regionalism, middle-power diplomacy and the role of regional institutions in managing geopolitical competition in the contemporary international system.

Research Gap

Although a substantial body of literature has examined the strategic behaviour of the ASEAN, much of this scholarship has interpreted the organisation's diplomacy primarily through the framework of hedging. Hedging has been widely used to explain how Southeast Asian states manage uncertainty in relations with major powers by maintaining flexible engagement with competing actors while avoiding rigid alignment (Goh, 2007; Kuik, 2008). Within this framework, ASEAN member states are often described as pursuing a combination of economic engagement with China alongside continued security cooperation with the United States and other external partners (Acharya, 2014).

While this literature has generated important insights into the foreign policy behaviour of Southeast Asian states, it also presents several analytical limitations. First, many studies adopting the hedging framework tend to focus primarily on the strategic behaviour of individual states, thereby overlooking the collective and institutional dimensions of ASEAN diplomacy. As a result, relatively limited attention has been paid to how ASEAN as a regional organisation attempts to shape the regional order through multilateral institutions and diplomatic norms (Ba, 2020).

Second, the concept of hedging was largely developed in the context of a relatively fluid post - Cold War strategic environment in which regional actors could maintain balanced relations with multiple major powers. However, the contemporary Indo-Pacific is increasingly characterised by intensifying geopolitical rivalry, technological competition and the emergence of competing regional initiatives. Developments such as the rise of Indo-Pacific strategic frameworks, the growth of minilateral security arrangements and increasing economic fragmentation have generated new structural pressures on Southeast Asian states (Medcalf, 2020; Beeson, 2021). Under such conditions, the flexibility traditionally associated with hedging may become increasingly constrained.

Third, existing scholarship has only recently begun to explore the role of regional institutions as mechanisms for preserving strategic agency in the context of great-power competition. ASEAN-led institutions such as the ASEAN Regional Forum, the East Asia Summit and the ASEAN Defence Ministers' Meeting Plus have become important platforms through which ASEAN seeks to maintain diplomatic relevance and shape regional dialogue. However, the ways in which these institutional mechanisms contribute to ASEAN's strategic autonomy remain insufficiently examined in the literature (Haacke and Breen, 2023).

Another limitation of existing research is the relatively limited application of the concept of strategic autonomy to Southeast Asian regionalism. While the idea of strategic autonomy has been widely discussed in the context of European security and regional governance (Biscop, 2019), its relevance to ASEAN's institutional diplomacy has received comparatively little systematic analysis.

This paper addresses these gaps by examining whether ASEAN's diplomatic behaviour reflects an emerging shift beyond traditional hedging towards a form of institutionalised strategic autonomy. In doing so, the study conceptualises structural vulnerability including economic dependence, technological fragmentation and exposure to great-power rivalry not merely as a constraint but also as a potential driver of institutional adaptation and diplomatic diversification. By analysing how ASEAN responds to these pressures, the paper contributes to broader debates on regionalism, middle-power agency and the role of regional organisations in managing geopolitical competition in the Indo-Pacific.

Conceptual Framework: Vulnerability-Induced Adaptive Autonomy

The strategic behaviour of smaller states and regional organisations is often shaped by structural constraints within the international system. In the literature on Southeast Asian international relations, the concept of hedging has frequently been used to explain how states respond to uncertainty in great-power relations. Hedging refers to a strategy that combines engagement with multiple major powers while avoiding firm alignment, thereby preserving diplomatic flexibility and reducing strategic risks (Goh, 2007; Kuik, 2008).

While hedging provides an important explanation for the foreign policy behaviour of individual Southeast Asian states, it offers a more limited framework for understanding the collective diplomacy of regional organisations such as ASEAN. Unlike individual states, regional institutions operate through multilateral mechanisms, diplomatic norms and institutional leadership rather than through traditional balancing or alliance strategies. Consequently, analysing ASEAN's evolving regional role requires a broader conceptual framework that accounts for both structural constraints and institutional agency.

To address this issue, the present study develops the concept of vulnerability-induced adaptive autonomy. This concept highlights how structural vulnerabilities arising from economic interdependence, technological dependencies and exposure to great-power rivalry can encourage regional organisations to adopt adaptive strategies for preserving diplomatic influence and decision-making independence. Rather than leading to passive alignment with stronger powers, structural vulnerabilities may stimulate institutional innovation and diplomatic diversification.

In the context of Southeast Asia, ASEAN operates within a highly interdependent regional environment characterised by significant economic asymmetries and strategic competition among major powers. The growing rivalry between the United States and China, the expansion of regional security initiatives and the increasing fragmentation of global economic networks have heightened the exposure of ASEAN member states to external pressures (Beeson, 2021; Haacke and Breen, 2023). These developments generate vulnerabilities that constrain the policy choices available to individual states.

However, ASEAN has responded to these pressures not only through national policies but also through collective institutional mechanisms. ASEAN-led forums such as the ASEAN Regional Forum, the East Asia Summit and the ASEAN Defence Ministers' Meeting Plus provide platforms through which ASEAN can convene major powers, facilitate dialogue and shape the agenda of regional cooperation. Through these institutional arrangements, ASEAN attempts to maintain its centrality within the regional diplomatic architecture despite asymmetries in material capabilities (Acharya, 2014).

Within this analytical framework, strategic autonomy does not imply complete independence from external powers. Instead, it refers to the capacity of regional actors to preserve a degree of independent decision-making, diversify partnerships and influence regional norms within a highly interconnected international system (Biscop, 2019). ASEAN's pursuit of centrality in regional institutions can therefore be interpreted as a mechanism for transforming structural vulnerability into institutional leverage.

The concept of vulnerability-induced adaptive autonomy thus provides a useful framework for analysing how ASEAN navigates great-power competition in the contemporary Indo-Pacific. By strengthening regional institutions, promoting inclusive multilateralism and articulating normative principles such as those embodied in the ASEAN Outlook on the Indo-Pacific, ASEAN seeks to preserve strategic space while avoiding rigid alignment with competing powers. In this way, the organisation attempts to sustain its relevance and autonomy within an increasingly contested regional order.

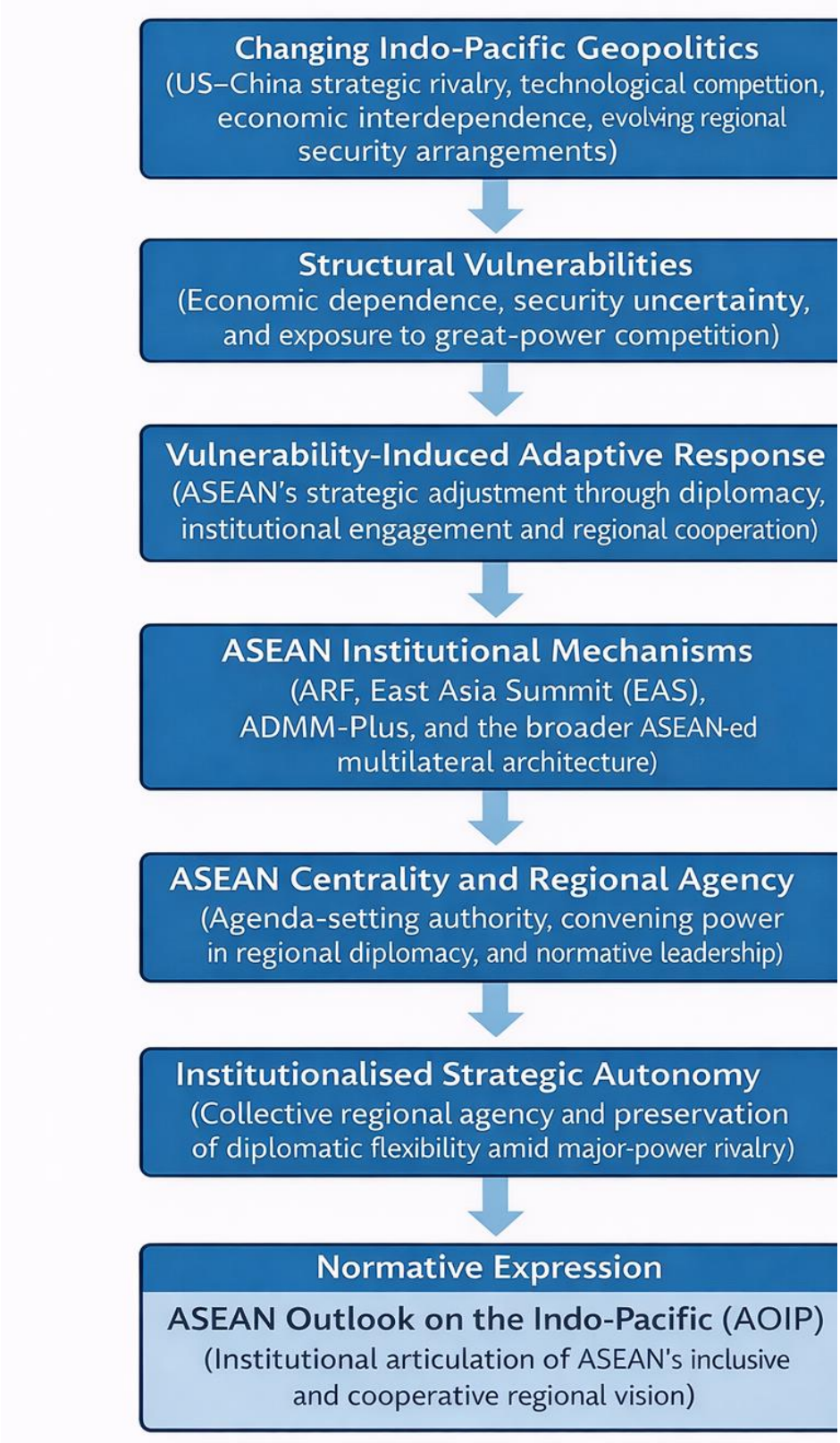

Figure 1: Conceptual Framework of Vulnerability-Induced Adaptive Autonomy in ASEAN's Indo-Pacific Strategy.

Figure 1 illustrates the analytical framework of vulnerability-induced adaptive autonomy used in this study. The model shows how evolving Indo-Pacific geopolitics—marked by US–China strategic rivalry, technological competition and economic interdependence that create structural pressures for Southeast Asian states. These dynamics generate structural vulnerabilities, including economic dependence and security uncertainty, which constrain the ability of individual states to respond independently to regional challenges.

In response, ASEAN adopts adaptive institutional strategies that rely on multilateral diplomacy and ASEAN-led regional mechanisms. Platforms such as the ASEAN Regional Forum (ARF), the East Asia Summit (EAS) and the ASEAN Defence Ministers' Meeting Plus (ADMM-Plus) enable ASEAN to convene major powers and shape regional dialogue. Through these institutional arrangements, ASEAN reinforces its centrality and regional agency, exercising agenda-setting and convening roles in the regional architecture. The outcome is a form of institutionalised strategic autonomy, reflected normatively in the ASEAN Outlook on the Indo-Pacific (AOIP), which articulates ASEAN's vision of an inclusive and cooperative regional order.

ASEAN Centrality as Institutionalised Strategic Autonomy

If structural vulnerability encourages ASEAN to pursue adaptive forms of autonomy, an important question concerns how this autonomy is operationalised in practice. Rather than relying solely on individual state strategies, ASEAN increasingly utilises regional institutions and multilateral diplomacy to preserve strategic flexibility and maintain its relevance within the evolving Indo-Pacific order. In this context, the concept of ASEAN centrality becomes crucial. ASEAN centrality represents the institutional dimension of strategic autonomy, enabling Southeast Asian states to collectively shape regional diplomatic structures and manage external power competition.

From Hedging to Institutional Autonomy

Earlier scholarship has often interpreted the foreign policies of Southeast Asian states through the concept of hedging**,** whereby states maintain engagement with multiple major powers while avoiding firm alignment (Goh, 2005; Kuik, 2008). Such strategies have historically allowed regional actors to balance economic engagement with China alongside continued security cooperation with the United States.

However, this perspective primarily focuses on the behaviour of individual states and therefore provides only a partial explanation of ASEAN's collective diplomatic strategy. As geopolitical competition in the Indo-Pacific intensifies, ASEAN increasingly relies on regional institutions and multilateral engagement to sustain diplomatic flexibility and manage external pressures. Recent scholarship suggests that ASEAN-led multilateralism enables Southeast Asian states to address strategic uncertainty through collective frameworks rather than unilateral policies (Kuik, 2022).

In this sense, ASEAN centrality should be understood not merely as diplomatic positioning but as a structural strategy embedded within regional institutions. By organising and hosting key regional forums, ASEAN positions itself at the centre of regional diplomatic interaction and contributes to shaping the evolving Indo-Pacific architecture despite its limited material capabilities.

Centrality as a Structural Mechanism

ASEAN institutionalises its strategic autonomy through regional forums such as the ASEAN Regional Forum (ARF)**,** the East Asia Summit (EAS) and the ASEAN Defence Ministers' Meeting Plus (ADMM-Plus)**.** These platforms allow ASEAN to maintain a central role in regional dialogue and cooperation while facilitating engagement among major powers.

First, ASEAN exercises agenda-setting authority by chairing and organising regional forums, thereby influencing diplomatic procedures and policy priorities (Acharya, 2014).

Second, ASEAN promotes normative principles such as non-interference, inclusivity and consensus**,** commonly referred to as the "ASEAN Way". These norms encourage dialogue-based cooperation and help moderate great-power competition within regional governance.

Third, ASEAN maintains convening authority**,** positioning itself as a key diplomatic platform where major powers interact. This institutional role reduces the likelihood that alternative regional architectures will emerge that exclude or marginalise Southeast Asia.

Through these mechanisms, ASEAN centrality functions as a form of institutional leverage that enables Southeast Asian states to preserve a degree of strategic autonomy despite asymmetries in material power.

Beyond institutional arrangements, ASEAN centrality is also expressed through normative initiatives that shape regional discourse. By promoting principles of openness, inclusivity and dialogue, ASEAN seeks to influence how cooperation in the Indo-Pacific is conceptualised and organised. One of the most significant examples of this normative leadership is the ASEAN Outlook on the Indo-Pacific (AOIP)**,** which articulates ASEAN's vision of an inclusive and cooperative regional order while reinforcing the organisation's institutional centrality within the regional architecture.

The following section illustrates these institutional dynamics through key ASEAN-led regional mechanisms such as the ASEAN Regional Forum, the East Asia Summit and the ASEAN Defence Ministers' Meeting Plus.

Empirical Illustration: ASEAN-led Institutions and Strategic Autonomy

ASEAN's pursuit of strategic autonomy is reflected not only in diplomatic discourse but also in the institutional architecture of ASEAN-led regional forums. These institutions provide practical mechanisms through which ASEAN manages structural vulnerability and sustains its relevance in the evolving Indo-Pacific order. By convening major powers within ASEAN-centred platforms, the organisation is able to exercise agenda-setting influence and facilitate dialogue despite asymmetries in material power.

One of the most significant examples of this institutional role is the ASEAN Regional Forum (ARF), established in 1994 to promote confidence-building measures and preventive diplomacy in the Asia-Pacific region. The ARF includes major powers such as the United States, China, Russia, Japan and India, bringing them together within an ASEAN-led framework. Although the forum has often been criticised for its limited capacity to resolve hard security disputes, it remains important as a diplomatic platform that encourages dialogue and transparency among competing powers (Acharya, 2023). By hosting and structuring the forum, ASEAN maintains a central role in shaping discussions on regional security and confidence-building measures.

Another key institutional mechanism is the East Asia Summit (EAS), which has evolved into a prominent leaders-level forum addressing strategic and economic issues in the Indo-Pacific. The EAS includes eighteen participating states, among them the United States, China, India, Japan, Australia and Russia. ASEAN's role as the organiser and host of the summit allows it to influence the agenda of regional discussions and reinforce its diplomatic centrality. Scholars note that ASEAN's stewardship of the EAS enables it to shape regional dialogue while ensuring that major powers engage within an inclusive multilateral framework rather than through exclusive security blocs (Jones and Jenne, 2022).

Similarly, the ASEAN Defence Ministers' Meeting Plus (ADMM-Plus) demonstrates ASEAN's capacity to facilitate practical security cooperation among regional actors. Established in 2010, the ADMM-Plus brings together ASEAN defence ministers and eight external partners to promote collaboration in areas such as maritime security, counter-terrorism, humanitarian assistance and disaster relief. These cooperative activities contribute to confidence-building and enhance communication among military establishments in the region (Khoo, 2023). Through the ADMM-Plus, ASEAN plays an important role in structuring security dialogue and promoting cooperative approaches to regional challenges.

Taken together, these ASEAN-led institutions illustrate how the organisation transforms structural vulnerability into institutional influence. Rather than competing with major powers in terms of material capabilities, ASEAN exercises agency through agenda-setting authority, convening power and the promotion of inclusive multilateral frameworks. In doing so, ASEAN reinforces its centrality within the regional diplomatic architecture and preserves a degree of strategic autonomy amid intensifying geopolitical competition in the Indo-Pacific.

ASEAN Outlook on the Indo-Pacific: Normative Autonomy

The ASEAN Outlook on the Indo-Pacific (AOIP) represents an important normative articulation of ASEAN's approach to regional order. Adopted in 2019, the AOIP outlines ASEAN's vision for an inclusive and cooperative Indo-Pacific that emphasises dialogue, openness and multilateral engagement. Rather than presenting a security-oriented framework, the AOIP highlights areas such as connectivity, economic cooperation and sustainable development while reaffirming ASEAN-led mechanisms, particularly the East Asia Summit, as key platforms for regional cooperation.

In this context, the AOIP reflects ASEAN's broader effort to maintain relevance within an evolving regional environment characterised by intensifying geopolitical competition. By promoting principles of inclusivity and openness, ASEAN seeks to shape regional discourse and encourage cooperation among major and middle powers without reinforcing bloc-based rivalries (Anwar, 2020; Wicaksana and Karim, 2023). The framework therefore complements ASEAN's institutional diplomacy by providing a normative vision for Indo-Pacific cooperation.

The AOIP can thus be understood as the normative dimension of ASEAN's adaptive strategy. While ASEAN-led institutions facilitate dialogue and engagement among regional actors, the AOIP articulates the principles guiding this engagement. By emphasising cooperation, inclusivity and multilateralism, ASEAN reinforces its central role in shaping regional interactions and sustaining a degree of strategic autonomy within the evolving Indo-Pacific order.

This study has argued that the strategic behaviour of ASEAN cannot be fully understood through the conventional framework of hedging alone. While hedging has historically provided a useful explanation for how Southeast Asian states navigate relations with competing major powers, the evolving geopolitical dynamics of the Indo-Pacific increasingly expose the limitations of this perspective. Intensifying strategic rivalry between the United States and China, technological competition and the emergence of new regional security arrangements have generated structural pressures that complicate ASEAN's traditional diplomatic flexibility.

In response to these challenges, ASEAN's regional strategy increasingly reflects an effort to preserve collective agency through institutional and diplomatic mechanisms. The concept of vulnerability-induced adaptive autonomy developed in this paper highlights how regional organisations facing structural constraints can maintain strategic space by strengthening institutional frameworks and promoting multilateral engagement. Rather than relying solely on individual state strategies, ASEAN utilises regional platforms to facilitate dialogue, manage external pressures and reinforce its central role in regional governance..

ASEAN-led mechanisms such as the ASEAN Regional Forum, the East Asia Summit and the ASEAN Defence Ministers' Meeting Plus illustrate how the organisation functions as a central convening platform within the regional architecture (Acharya, 2023; He and Feng, 2020). At the normative level, initiatives such as the ASEAN Outlook on the Indo-Pacific further reflect

ASEAN's attempt to shape regional discourse by promoting principles of inclusivity, openness and cooperation.

Although ASEAN's influence remains constrained by internal diversity and intensifying geopolitical competition, its institutional initiatives demonstrate an ongoing effort to transform structural vulnerability into diplomatic relevance (Jones and Jenne, 2022; Ba, 2020). ASEAN's continued centrality will therefore depend on its ability to sustain internal cohesion while maintaining its role as an inclusive platform for regional dialogue and cooperation.

More broadly, the concept of vulnerability-induced adaptive autonomy contributes to understanding how regional organisations in the Global South navigate complex geopolitical environments. By emphasising institutional agency and multilateral diplomacy, this framework highlights how regional actors can preserve strategic autonomy even within increasingly polarised international orders.

Not Pawns but Players: Situational Middle Powers in Southeast Asia and the Negotiated Indo-Pacific Order

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The intensifying strategic rivalry between the United States and China has become a defining feature of contemporary international politics, particularly in the Indo-Pacific. Southeast Asia lies at the centre of this transformation, where competing economic initiatives, security partnerships, and maritime disputes increasingly intersecting in today's geopolitics. Much of the existing literature portrays the region as a geopolitical battleground in which smaller states are compelled to align with one of the two major powers, often depicting members of the Association of Southeast Asian Nations (ASEAN) as strategically vulnerable or institutionally constrained. Such perspectives, however, risk overstating structural pressures while underestimating the diplomatic capacity and strategic agency of Southeast Asian states in managing great-power competition (Acharya, 2014; Goh, 2013).

Contrary to portrayals of passivity, Southeast Asian states have adopted a range of strategies that enable them to navigate geopolitical rivalry while preserving autonomy. Through practices such as hedging, selective alignment, multilateral diplomacy, and omni-enmeshment, these states engage multiple partners simultaneously and avoid rigid alignments with either China or the United States. Their influence stems less from material capabilities than from strategic flexibility, institutional engagement, and the ability to shape regional norms through ASEAN-centred diplomacy. These patterns suggest that several states in the region function as situational middle powers, whose agency emerges from context-specific opportunities, diplomatic entrepreneurship, and institutional positioning rather than fixed structural power (Kuik, 2008; Jordaan, 2003).

Building on this perspective, the paper argues that Southeast Asian middle powers contribute to a negotiated Indo-Pacific order in which regional institutions, diplomatic practices, and strategic hedging mediate the dynamics of great-power rivalry. It addresses two key questions: how do Southeast Asian states exert influence without engaging in hard balancing, and can middle power status in the region be understood as situational rather than fixed? Using Indonesia and Vietnam as illustrative cases, the study demonstrates how middle power agency in Southeast Asia is adaptive and context-driven. Together, these cases show that ASEAN states are not merely objects

of great-power rivalry but active participants in shaping the evolving regional order (Acharya, 2017; Ikenberry, 2018).

Rethinking Middle Powers: From Fixed Categories to Situational Agency

The concept of middle powers has long been central to debates in international relations, traditionally referring to states with moderate material capabilities that compensate for limited military power through multilateral diplomacy, coalition-building, and support for international institutions. In classical scholarship, middle powers such as Canada, Australia, and several Nordic countries were portrayed as "good international citizens" that promoted international cooperation, rule-based order, and normative agendas within global governance frameworks (Cooper, Higgott and Nossal, 1993; Jordaan, 2003). Their influence was understood to derive less from coercive power and more from their ability to mobilise diplomacy, foster consensus, and shape institutional processes.

However, this conventional understanding reflects a largely Western experience and assumes that middle power status is determined primarily by relatively stable indicators such as economic size, military capability, and global diplomatic reach. In an increasingly multipolar international system, such a structural approach appears insufficient to explain the diverse forms of influence exercised by states in the Global South. Scholars have therefore argued for a more flexible interpretation that recognises how states with limited structural power can nonetheless exercise influence within specific regional or institutional contexts (Acharya, 2014; Robertson, 2017).

Recent scholarship thus conceptualises middle power behaviour as contextual and situational, rather than fixed. Under this perspective, states may exhibit middle power characteristics in particular policy domains or diplomatic settings without consistently possessing the material attributes associated with traditional middle powers. Middle power agency is therefore defined less by absolute power and more by strategic behaviour—particularly the capacity to shape diplomatic agendas, mediate among competing actors, and leverage institutional platforms to influence regional outcomes (Cooper, 2016; Flemes, 2007). This approach is particularly useful for analysing emerging and regional actors whose influence operates within specific geopolitical environments.

The concept of situational middle powers highlights three key features. First, such states demonstrate strategic flexibility, avoiding rigid alignments while maintaining relations with multiple major powers in order to preserve autonomy and policy space. Second, they benefit from institutional embeddedness, using regional organisations and multilateral forums to shape norms and diplomatic processes that structure interactions among larger powers. Third, they exercise issue-based leadership, focusing on particular policy areas—such as maritime security, economic cooperation, or regional diplomacy—where they can exert influence disproportionate to their material capabilities. Applied to Southeast Asia, this framework reveals how regional states

employ hedging, multilateral engagement, and diversified partnerships to manage Sino–US rivalry while shaping the broader contours of the Indo-Pacific order (Kuik, 2008; Goh, 2013).

Situational Middle Powers and the Negotiated Indo-Pacific Order

The idea of a negotiated Indo-Pacific order highlights how regional dynamics are shaped not only by major powers but also by the strategic behaviour of smaller and middle powers. Rather than conforming to a rigid bipolar structure dominated by the United States and China, the Indo-Pacific is increasingly characterised by overlapping partnerships, multilateral institutions, and diplomatic initiatives that mediate the intensity of great-power rivalry. In this environment, regional actors exercise agency by shaping institutional agendas, promoting norms of cooperation, and maintaining strategic flexibility in their external relations (Acharya, 2017; Ikenberry, 2018).

Within this framework, the ASEAN plays a central role in structuring regional diplomacy. Despite frequent criticisms of its consensus-based decision-making and limited enforcement mechanisms, ASEAN has developed an extensive network of multilateral forums that include major external powers. Platforms such as the ASEAN Regional Forum and the East Asia Summit provide institutional spaces for dialogue, confidence-building, and policy coordination. By positioning itself as a convening hub for regional diplomacy, ASEAN reinforces its relevance in shaping the evolving security architecture of the Indo-Pacific (Acharya, 2014; Ba, 2009).

By encouraging major powers to engage through ASEAN-led mechanisms, Southeast Asian states help structure the institutional environment in which regional competition unfolds. These forums operate according to norms of inclusivity, consultation, and non-confrontation, which moderate geopolitical tensions even when strategic competition persists (Vijaya, 2023). Situational middle powers within ASEAN further sustain this negotiated order through strategies such as hedging, coalition-building, and norm promotion. In doing so, they create incentives for constructive engagement and ensure that the regional order remains mediated through diplomacy and institutions rather than determined solely by great-power rivalry (Goh, 2013; Kuik, 2008).

Case Illustrations: Indonesia and Vietnam as Situational Middle Powers

The experiences of Indonesia and Vietnam illustrate how Southeast Asian states exercise situational middle power agency through strategies shaped by their distinct strategic environments and domestic priorities. Indonesia represents a diplomacy-centric model of middle power behaviour rooted in multilateralism and regional institution-building. As the largest state in Southeast Asia and a founding member of ASEAN, Indonesia has historically positioned itself as a steward of regional diplomacy, emphasizing independence, cooperative security, and active participation in regional governance. Rather than relying primarily on military capabilities, Jakarta has exercised influence through institutional entrepreneurship and diplomatic leadership within ASEAN-centred frameworks (Acharya, 2014; Laksmana, 2011).

A central pillar of Indonesia's approach is the promotion of ASEAN centrality in the regional security architecture. Indonesian policymakers have consistently advocated for an inclusive regional order structured around ASEAN-led institutions such as the East Asia Summit and the ASEAN Regional Forum. Through these platforms, Indonesia contributes to shaping norms of dialogue, consultation, and restraint among major powers. Jakarta's support for an ASEAN-led perspective on the Indo-Pacific further reflects this diplomatic strategy, as it seeks to frame regional cooperation around connectivity, maritime governance, and economic collaboration rather than zero-sum geopolitical competition (Acharya, 2017; Ba, 2009).

Vietnam, by contrast, represents a security-oriented form of situational middle power agency shaped by its geopolitical vulnerabilities, particularly its territorial disputes with China in the South China Sea. Hanoi's foreign policy combines economic engagement with China and strategic diversification through expanded partnerships with countries such as the United States, Japan, and India. This strategy—often described as cooperating and struggling with China—reflects a form of security hedging, allowing Vietnam to enhance deterrence while preserving strategic autonomy. Through defence diplomacy, participation in multilateral security forums, and advocacy for international legal norms, Vietnam seeks to internationalize maritime disputes and constrain unilateral coercion. Together, Indonesia and Vietnam demonstrate the varied pathways through which Southeast Asian states exercise situational middle power agency in shaping the evolving Indo-Pacific order (Goh, 2013; Kuik, 2008).

Implications for Understanding Regional Order

The experiences of Southeast Asian states challenge structural interpretations of international politics that focus primarily on great-power competition. While the United States and China remain central actors in the Indo-Pacific, regional states retain considerable agency in shaping the environment within which this rivalry unfolds. Through strategies of hedging and diversification, situational middle powers maintain relationships with multiple partners, thereby preserving diplomatic flexibility and reducing the likelihood that the region will crystallize into rigid geopolitical blocs. By avoiding exclusive alignments, these states seek to balance economic engagement with security cooperation, enabling them to navigate strategic competition while maintaining autonomy (Goh, 2013; Kuik, 2008).

At the same time, the active engagement of Southeast Asian states in regional institutions contributes to sustaining channels of communication among competing powers. ASEAN-led forums provide platforms for dialogue, confidence-building, and the promotion of norms emphasizing restraint, inclusivity, and respect for international law. Although such norms are frequently contested, they help structure expectations regarding acceptable behaviour and impose reputational costs on unilateral coercion. Together, these dynamics reinforce the notion that the Indo-Pacific order is negotiated rather than imposed, emerging from continuous diplomatic interaction among states with diverse interests rather than from the dominance of a single power or alliance system (Acharya, 2014; Ikenberry, 2018).

Southeast Asia occupies a pivotal position in the evolving geopolitics of the Indo-Pacific. Although the intensifying rivalry between the United States and China has heightened strategic competition in the region, it has not rendered Southeast Asian states passive actors within great-power politics. Instead, many states in the region have demonstrated considerable diplomatic agility in navigating this rivalry through diversified partnerships, institutional engagement, and carefully calibrated foreign policies. These strategies reflect the capacity of regional actors to manage external pressures while maintaining autonomy in an increasingly complex strategic environment.

This paper has argued that several Southeast Asian states can be conceptualized as situational middle powers, whose influence derives less from material capabilities and more from strategic behaviour. By leveraging regional institutions, maintaining strategic flexibility, and exercising leadership in specific policy domains, these states are able to shape diplomatic agendas and regional norms. The cases of Indonesia and Vietnam illustrate how such agency operates in practice: Indonesia emphasizes diplomatic leadership and institutional entrepreneurship to reinforce ASEAN centrality, while Vietnam pursues strategic diversification and defence diplomacy to manage security challenges without committing to rigid alliance structures.

Taken together, these examples demonstrate that Southeast Asian states are not merely pawns in great-power rivalry but active participants in shaping the regional order. Their strategies contribute to a negotiated Indo-Pacific order in which diplomacy, multilateral institutions, and strategic flexibility moderate the dynamics of power politics. Recognizing the role of situational middle powers therefore offers a more nuanced understanding of regional order, highlighting how middle powers can exercise meaningful agency even within asymmetrical power structures and how regional entrepreneurship remain central to mediating great-power competition.

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

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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 2040[1]. 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 countries[2]. Specific customs barriers ranging from 10% to 40% were also imposed on products

[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

imported from these countries[1]. 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" [2]. 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-Pacific[3].

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"[4]. Originally drawn by the Republic of China in the aftermath of the Second World War, this line covers 90% of the waterway[5]. 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 claims[6].

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

[1] 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/
[2] 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/
[3] 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
[4] 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/
[5] Ibid.
[6] O, Holmes & T, Phillips, "South China Sea dispute: what you need to know about The Hague court ruling", *The Guardian*, (12 Jul. 2016).
https://www.theguardian.com/news/2016/jul/12/south-china-sea-dispute-what-you-need-to-know-about-the-hague-court-ruling

fisheries, mineral resources, and energy reserves. Under his predecessor, Rodrigo Duterte, Chinese activities in the area were largely downplayed[1].

A Philippine Navy report released in July 2025 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 one of the highest levels of Chinese presence observed that year. This escalation comes despite President Marcos having expressed, in early June[2], his willingness to ease tensions with Beijing at a time of political fragility following the disappointing results of the 12 May 2025 senatorial elections, which strengthened the position of his rival, Vice President Sara Duterte, who advocates closer ties with China[3].

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 2025, Minister Wong urged ASEAN states to defend a rules-based regional order and oppose coercion in all its forms[4]. She also expressed growing concerns over China's military build-up in the region, calling for a strategic rebalancing[5].

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 years[6]. Between July and August 2025, 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 States[7].

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[1] 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/
[2] 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
[3] 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
[4] 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
[5] Ibid.
[6] 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
[7] 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

This cooperation has also materialised through joint freedom of navigation exercises, undertaken in February 2025 within the Philippine EEZ by naval vessels from Australia, the Philippines, Japan and the United States[1], alongside April's 2025 Balikatan exercise, which was designed to reinforce interoperability and operational preparedness between Philippine forces and their allies[2]. 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 domains[3].

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 adversary[4]. Despite these ambivalent perceptions, in November 2024, Australian and Indonesian forces conducted their largest ever amphibious assault as part of the Keris Woomera exercise in Townsville and Situbondo in eastern Java[5].

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 states[6].

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

[1] 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/

[2] 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

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

[4] 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

[5] 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

[6] 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/

technology and logistics[1]. 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 India[2]. 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 Singapore[3]. 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 2025 in Queensland[4]. Furthermore, the armed forces of both countries participate annually in multilateral exercises, including US-led regional manoeuvres[5].

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 weeks[6].
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

[1] 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/
[2] 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
[3] 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.
[4] MINDEF Singapore, Minister for Defence Visits Exercise Wallaby 2025, (6 Oct. 2025). https://www.mindef.gov.sg/news-and-events/latest-releases/06oct25-nr
[5] L.J, Wen, "SAF artillery, aircraft make Exercise Talisman Sabre debut in Australia", *The Straits Times*, (28 Jul. 2025). https://www.straitstimes.com/singapore/saf-artillery-aircraft-make-exercise-talisman-sabre-debut-in-australia
[6] Australian Government Defence, Australia – Singapore Military Training Initiative. https://www.defence.gov.au/defence-activities/programs-initiatives/australia-singapore-military-training-initiative

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 initiative[1].

Structural limits nevertheless persist. ASEAN's consensus-based decision-making hampers progress on sensitive issues, and conflict prevention often falls into this category[2]. 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.

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 October 2025[3]. 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 a generation[4]. Recent forecasts from the International Monetary Fund (IMF)

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

[2] 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/

[3] 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

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

suggest that China will continue to experience economic difficulties, with growth expected to reach only 4.4% in 2026 - the lowest rate since 1991.

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 2030[1]. 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.

Although the most recent bilateral summit between President Trump and Chinese President Xi Jinping produced limited substantive outcomes, the engagement nevertheless contributed to strengthening personal diplomatic channels between the two leaders. Reports indicated that the two leaders spent nearly nine hours together[2], including discussions hosted at Zhongnanhai[3], the official leadership compound in Beijing. President Xi reportedly characterised the invitation as reciprocal diplomacy following Trump's hosting of him at Mar-a-Lago during their 2017 meeting[4]. Prospective meetings between the two leaders at future ASEAN and Asia-Pacific summits later this year may therefore provide an opportunity for the region's middle powers to advance and institutionalise practical confidence-building measures between the two major powers.

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

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

[1] 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

[2] A, Troianovski, "Trump Calls Xi a 'Friend.' But He Left China Without Any Breakthroughs", *The New York Times*, (16 May 2026).
https://www.nytimes.com/2026/05/16/world/europe/trump-xi-china-summit.html

[3] J, Yeung & S, Zhuang, "Why Xi invited Trump to this highly secretive former imperial garden", *CNN*, (15 May 2026).
https://edition.cnn.com/2026/05/15/china/zhongnanhai-history-xi-trump-visit-intl-hnk

[4] Ibid.

effects of climate change between 1993 and 2022[1]. 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 consumption[2]. 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 subsidies[3]. Beyond energy supply, fossil fuels sustain employment in the region - the coal sector employs around 180,000 people in Indonesia, 86,000 in Vietnam, and 4,000 in the Philippines[4].

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 century[5]. If current trends continue, the region could account for a quarter of the global increase in energy demand by 2030, second only to India[6]. 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 2050[7].

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" programmes[8]. Both Southeast Asia and

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[1] 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

[2] 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

[3] The Organisation for Economic Cooperation and Development in FossilFuelSubsidyTracker.org, "Country trends in fossil-fuel subsidies".
https://fossilfuelsubsidytracker.org/country/

[4] 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

[5] 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

[6] 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

[7] M.S, Huda, "Towards a Just Energy Transition in Southeast Asia", *Yusof 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/

[8] Australian Government Treasury, Future Made in Australia.

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 transition[1].

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 energy[2]. Another flagship project, the Australia-Asia Power Link, will transport solar energy from Australia to Indonesia and Singapore[3].

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

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https://treasury.gov.au/policy-topics/future-made-australia#:~:text=In%20the%202024%E2%80%9325%20Budget,we%20move%20towards%20net%20zero

[1] 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

[2] 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

[3] Suncable, Australia-Asia Power Link (AAPowerLink).
https://www.suncable.energy/our-projects

Indonesia, with companies like Trina Solar establishing manufacturing plants[1]. 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 and more than half of global electric vehicle manufacturing[2]. 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 recipient[3]. 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 2030[4]. 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 for twelve

[1] 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
[2] 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/
[3] 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
[4] Just Auto, "Indonesia to source lithium from Australia", (6 Aug. 2025). https://www.just-auto.com/news/indonesia-to-source-lithium-from-australia/

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 2040[1]. Until then, Washington will deliver three Virginia-class nuclear submarines to Canberra from 2032[2]. The agreement's second pillar focuses on cooperation across a range of advanced capabilities, including hypersonic missile production, artificial intelligence, and quantum technologies[3]. In July 2025, Canberra and London also signed a 50-year nuclear submarine partnership, expected to secure tens of thousands of jobs throughout its duration[4].

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 quo[5]. 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 region[6].

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 jointly at a press conference in Jakarta[7]. Both countries also pressed their counterparts at ASEAN's 38th and 39th summits to forge consensus on the issue[8].

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[1] 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

[2] 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/

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

[7] 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/

[8] 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/

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 stability[1]. 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"[2]. Vietnam, while maintaining formal neutrality, regards AUKUS as a discreet yet valuable means of balancing regional power dynamics[3].

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 Lumpur[4], deepened its defence ties with China, inaugurating a refurbished naval base at Ream on the Gulf of Thailand[5]. 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 partners[6].

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 consultation[7].

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

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[1] A.R.M, Umar & N.Y, Santoso, AUKUS and Southeast Asia's ontological security dilemma. *International Journal*, 78/3, (2023).
[2] 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
[3] 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/
[4] 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/
[5] 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
[6] US Embassy Canberra, AUKUS Joint Leaders' Statement, US Embassy & Consulates in Australia, (14 Mar. 2023).
https://au.usembassy.gov/aukus-joint-leaders-statement/
[7] S, Patton, "Widening the gap: How SouthEast Asia views AUKUS, *Australian Foreign Affairs*, (24 Feb. 2024).
https://www.australianforeignaffairs.com/essay/2024/02/dead-in-the-water

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 Japan[1].

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 2025 with leaders of the Gulf Cooperation Council (GCC) and China, focused on trade and investment[2]. Together, ASEAN, the GCC, and China account for over 30% of global GDP, highlighting the partnership's potential weight in international commerce[3].

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 debt[4]. Myanmar's junta, meanwhile, relies almost exclusively on Beijing's political, economic, and military support to wage war against ethnic armed groups[5].

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 Gallant[6]. Indonesia, under President Subianto, has voiced more measured criticism, but he too condemned Western inaction over Gaza[7].

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[3] 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/

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[6]S, 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/

[7] 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

Nearly three 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 famine[1]. 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)[2].

Although Jakarta has benefited from tariff reductions under the Trump administration and endorsed the United States' 20-point plan for Gaza[3], any renewed Israeli offensive 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 exchange for a reduction of American tariffs to 19% on most Malaysian exports[4]. Certain products - such as steel, aluminium, and automotive components - remain subject to higher tariffs, with an additional 40% levy imposed on so-called "transshipments"[5].

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 2025, it could regain ground by capitalising on Australians' enduring trust in the US alliance. A Lowy Institute poll showed that 80% of Australians still trust Washington to guarantee national security[6].

Since the start of Prime Minister Albanese's second term, however, political and defence ties with the Trump administration have experienced some turbulence. In 2025, the Pentagon pressed Canberra to boost defence spending and openly back US commitments to Taiwan - demands

[1] 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

[2] 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

[3] 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

[4] 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

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

[6] R, Neelam, "Lowy Institute Poll 2025 Report", *Lowy Institute*, (2025). https://poll.lowyinstitute.org/report/2025/relations-in-the-indo-pacific/#united-states

Albanese rejected, insisting defence strategy must remain driven by national priorities, budgetary constraints, and Australia's strategic autonomy. This stance generated domestic political opposition, with the then 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 defence[1].

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 Trump[2]. To offset criticism and shore up confidence in AUKUS, Canberra allocated an additional USD 525 million[3] to Washington in July 2025 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 submarines[4].

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 partnership[5]. Indeed, Donald Trump announced direct investments totalling USD 1 billion in developing mining and critical minerals processing projects in Western Australia and the Northern Territory[6]. 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 reserve[7].

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[1] 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
[2] 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
[3] 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/
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https://www.abc.net.au/news/2025-09-13/albanese-announces-aukus-12-billion-dollar-defence-spend-perth/105770188
[5] 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
[6] *Ibid*.
[7] 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

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 Angus Taylor, 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 2025, Malaysia, Thailand and Vietnam joined the 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 alignment[1].

In a region central to global supply chains, Washington's protectionist policies and hostile rhetoric are seen as direct provocations. President Xi's April 2025 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 technologies[2].

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 aid[3]. The European Union and the United Kingdom also cut their annual allocations by USD 17.2 billion and USD 7.6 billion, respectively[4]. 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 support[5]. Western donors also provide nearly two-thirds of funding for civil society development, a disproportionate share that directly affects these essential sectors[6]. The contraction of American aid, in particular, risks weakening Washington's geopolitical influence, especially across mainland Southeast Asia, notably in Cambodia and Laos.

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[2] 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/

[3] 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

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[5] Ibid.

[6] 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

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 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.

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 2025, 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 2025 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 diplomacy[1]- 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 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

[1] Lowy Institute, Asia Power Index 2024 Edition.
https://power.lowyinstitute.org/

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 ability to advance its own clean energy transition will, however, remain closely tied to domestic political dynamics. A potential shift in government could alter the trajectory of energy policy, particularly given ongoing scepticism within parts of the opposition towards renewable energy. With Southeast Asia's demand for clean energy continuing to grow, the Albanese government faces increasing pressure to accelerate investment and policy support in this sector, thereby entrenching progress and reducing the likelihood of future policy reversals.

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ISSN : 2739-3283

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