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BETWEEN BALANCING AND HEDGING: AUSTRALIA'S INDO-PACIFIC STRATEGY AS A MIDDLE-POWER FOREIGN POLICY PROCESS

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Abstract

The Indo-Pacific has emerged as the principal arena of contemporary geopolitical competition, where intensifying strategic rivalry, evolving alliance structures and regional order-building have significantly reshaped the foreign policies of middle powers, particularly Australia. While existing scholarship has extensively examined Australia's participation in initiatives such as AUKUS and the Quadrilateral Security Dialogue (Quad), comparatively limited attention has been given to the foreign policy decision-making processes that explain how Canberra formulates its Indo-Pacific strategy. More specifically, the study examines the period from 2013 to 2025, treating the Australian federal government's Indo-Pacific policy choices as its primary unit of analysis. This study addresses that gap by analysing Australia's Indo-Pacific strategy through the perspective of Foreign Policy Analysis (FPA), focusing on the interaction between external geopolitical pressures and domestic foreign policy orientations. Employing a qualitative deductive approach based on literature analysis, the study examines government policy documents, defence strategies and contemporary scholarly literature. The findings indicate that Australia's Indo-Pacific strategy is shaped not only by intensifying United States–China strategic competition but also by domestic security priorities, its alliance commitments, middle-power identity and national strategic objectives. Consequently, Australia has adopted a pragmatic hybrid strategy combining balancing, strategic hedging and institution-building to reconcile competing security, economic and regional interests. The study demonstrates that FPA provides a more comprehensive explanation of Australia's strategic behaviour by revealing how international pressures are interpreted and translated into policy.

Keywords: *Australia; Foreign Policy Analysis; Indo-Pacific Strategy; Middle Power; Strategic Competition.*

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Introduction

The Indo-Pacific has become the principal arena of twenty-first century geopolitics as strategic competition overlaps with maritime security, alliance politics, regional order-building and expanding minilateral cooperation (Manning, 2018; Koga, 2022). Recent scholarship shows that the Indo-Pacific is no longer only a broad geopolitical concept, but an increasingly operational policy

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space in which states translate their strategic concerns into concrete security and diplomatic arrangements (Shin, 2024; Wilkins, 2024). The region's importance is tied to the rise of China, the strategic relevance of India and the growing fusion of the Indian and Pacific Oceans into a single theatre of competition and interdependence (Manning, 2018; Barthwal-Datta & Chacko, 2020). In this study, institution-building refers to Australia's efforts to establish, strengthen and utilise institutional arrangements that advance its strategic interests, including security-oriented minilateral partnerships and broader regional economic and diplomatic frameworks. These arrangements are not treated as equivalent institutional forms, but as different mechanisms through which Australia seeks to influence regional order and protect its national interests.These conditions have made the Indo-Pacific a central framework through which states define threats, interests and preferred forms of regional order (Barthwal-Datta & Chacko, 2020; Harijanto, 2023).

Australia occupies a distinctive position in this setting as a middle power that depends on the United States with strong economic, diplomatic and geographic linkages across Asia and the Pacific (Taylor, 2020; Harijanto, 2023). Comparative studies indicate that among key Indo-Pacific middle powers, such as Tokyo and Seoul, Canberra is the most firmly aligned with Washington in balancing against China, especially through various security pacts (Abbondanza, 2022; Montolalu, 2022). Yet Australia's Indo-Pacific outlook also prefers a longer strategic narrative that emphasizes a stable, prosperous and a so called *"rules-based regional order"* centred on Southeast Asia and sustained by American presence (Barthwal-Datta & Chacko, 2020). This narrative has evolved from earlier 2013 policy outlines that linked the Indian and Pacific Oceans through Southeast Asia and identified the security of maritime routes and regional architecture as core national concerns (Barthwal-Datta & Chacko, 2020). Due to this reality, its Indo-Pacific strategy seems to emerge from both structural pressures and a longer foreign policy tradition that seeks to reconcile a dependent ally and middle power identities (Taylor, 2020).

The turning point however in recent years has been the deterioration of Australia's assessment of China and of the wider Asian security environment. Since 2017, Australia has adopted a more anxious view of regional order and increasingly treats the Peoples Republic of China (PRC) as a source of insecurity rather than simply an economic partner (Bisley, 2024). This shift has occurred alongside concerns about the erosion of U.S. primacy, the possibility of major-power conflict and the limits of existing regional arrangements meant to provide

credible security assurances (Bisley, 2024; Harijanto, 2023). As a result, Australia has expanded its reliance on minilateral mechanisms that can strengthen deterrence, improve coordination and support what recent scholarship calls *"regional security infrastructure"* (Bisley, 2024). The move is seen as not just a reaction to China's rise, but also a response to an increasingly complex environment shaped by economic interdependence, alliance expectations and domestic strategic anxiety (Bisley, 2024). Understanding Australia's Indo-Pacific strategy requires attention to how these pressures are interpreted and translated into policy choices (Bisley, 2024; Karim, 2025).

A large part of the recent literature explains Australia's Indo-Pacific strategy through the rise of minilateralism. Studies on the Quadrilateral Security Dialogue (QUAD) and the Australia, United Kingdom (U.K.) and United States (U.S.) submarine deal (AUKUS), argues that these arrangements emerged because the existing regional security architecture was not sufficient to respond to China's growing power and assertiveness (Koga, 2022; Bisley, 2024). AUKUS in particular is described as a capability-focused partnership designed to strengthen military cooperation in nuclear-powered submarines, cyber, artificial intelligence, quantum technologies and undersea capabilities (Koga, 2022; Suharto et al., 2024). This partnership seeks both to enhance Australia's ability to shape its regional environment and to contribute to a more durable balance of power in the Indo-Pacific (Koga, 2022; Kumar, 2023). Despite this, minilateral arrangements are not straightforward substitutes for alliances or multilateral institutions, because they remain pending in progress and do not yet rest on fully shared strategic interests (Koga, 2022). This makes Australia's strategy both more ambitious and more analytically complex than a simple balancing response (Bisley, 2024; Koga, 2022).

Other studies emphasize that Australia's Indo-Pacific strategy is also a project of regional order-building. Australia's official narrative seeks to preserve a so called "U.S.-led rules-based order" while deepening partnerships with states such as India, Japan and Indonesia (Barthwal-Datta & Chacko, 2020). This seems to be the case as a study on U.S.–Japan–Australia trilateralism indeed indicate that Australian strategy is embedded in a wider network of low-profile but consequential minilateral coordination aimed at both deterrence and order maintenance mentioned earlier (Wilkins, 2024). This order-building dimension helps explain why Australia frames its regional role not only in military terms but also in normative language around openness, freedom of navigation and international law (Eichensehr et al., 2022; Harijanto, 2023). Yet this strategy

also faces external legitimacy challenges, especially if regional actors perceive AUKUS or the Quad as explicitly anti-China groupings that weaken ASEAN (Assosiation of Southeast Asian Nations) centrality (Koga, 2022). The tension between deterrence and regional reassurance is therefore a defining feature of Australia's Indo-Pacific posture (Suharto et al., 2024).

Despite this growing literature, an important gap remains. Much of the scholarship focuses on the external dimensions of Australia's strategy, especially balancing China, AUKUS, the Quad and the regional security architecture (Bisley, 2024; Kumar, 2023). Although several studies have examined domestic political influences, leadership orientations and strategic agency in Australian foreign policy (McDonald, 2015; Widmaier, 2019; Taylor, 2025), these contributions have largely focused on particular political periods, foreign policy traditions or strategic developments rather than integrating these dimensions into an examination of Australia's broader Indo-Pacific strategy. For instance, McDonald (2015) demonstrates how domestic political considerations influence Australia's international engagement, while Widmaier (2019) highlights the significance of leadership and political ideas in shaping its foreign policy trajectory.

More recently, Bangkur and Kurniawan (2025) examine the interaction between international dynamics and domestic interests in Australia's AUKUS submarine decision, while Taylor (2025) demonstrates how Australia's strategic agency reflects the coexistence of dependent ally, middle-power and pragmatic foreign policy traditions. This gap matters because middle powers do not behave in a single fixed, predetermined way. Rather, their actions depend on the interaction between their external commitments and internal priorities (Balta & Bal, 2025). Likewise foreign policy cannot be understood solely through external balancing logic, because domestic structures and competing strategic visions shape how outside pressures are processed (Karim, 2025). In Australia's case, this suggests that alliance alignment alone cannot fully explain its Indo-Pacific policy choices, as these are also shaped by the interaction between strategic commitments, domestic priorities and competing foreign policy orientations (Taylor, 2020; Harijanto, 2024).

This study addresses that gap by examining Australia's Indo-Pacific strategy through the lens of Foreign Policy Analysis. The purpose is to explain how geopolitical competition, alliance dependence, middle-power identity, domestic and institutional choices combine to shape Australia's behaviour in the Indo-Pacific (Bisley, 2024; Putri et al., 2026). More specifically, the study inves-

tigates how external geopolitical pressures and domestic foreign policy orientations shape Australia's Indo-Pacific strategy (Harijanto, 2023; Wilkins, 2024). It also hopes to respond to the broader need in Indo-Pacific scholarship to move from describing strategic outcomes to explaining the foreign policy logic that produces them (Shin, 2024; Abbondanza, 2022).

Research Methods

This study employs a qualitative deductive approach using document analysis to examine Australia's Indo-Pacific strategy through the perspective of Foreign Policy Analysis (FPA). A qualitative design is appropriate because the study seeks to interpret the strategic reasoning, policy priorities and decision-making processes reflected in policy documents rather than quantify policy outcomes. Document analysis enables the systematic examination of publicly available policy papers, defence white papers, government reports and academic literature to identify how Australia's Indo-Pacific strategy has been conceptualized and implemented (Bowen, 2009).

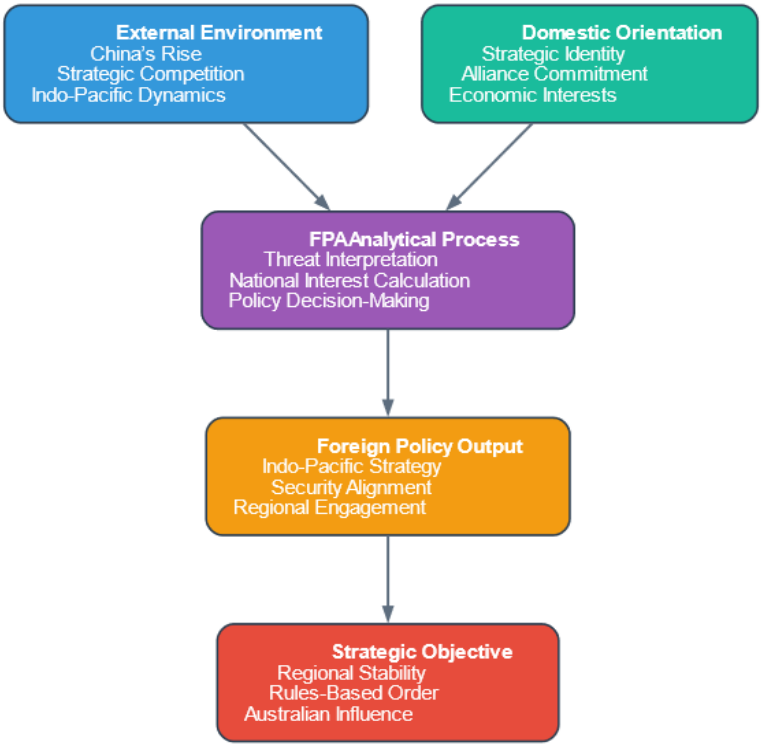
The study adopts Foreign Policy Analysis (FPA) as its primary analytical framework because the question focuses not on Australia's behaviour in the Indo-Pacific, but on the processes through which Australia formulates and justifies its foreign policy in response to changing regional dynamics. Unlike other prominent theoretical approaches in International Relations such as Strucural Realism – *the belief that states are bound to act rationally by seeking more power as a result of the actions of other competing or non-competing states due to the global anarchic system* (Waltz, 2000; Mearsheimer, 2013), or Constructivism – *which posits that in International Relations, shared ideas and beliefs are more powerful than material wealth alone. These widely accepted social norm and narratives fundamentally define who the actors are (their identity) and what they want (their goals), rather than letting those interests be predetermined by the physical environment* (Hopf, 1998).

FPA allows for a shift in the level of analysis toward foreign policy decision-making by examining how external conditions are interpreted, filtered and translated into concrete policy choices by state actors (Hudson & Day, 2019). FPA provides a more suitable analytical framework for understanding why Australia has adopted a particular Indo-Pacific strategy rather than simply describing the strategic environment in which the policy operates. Derived from the foundational Foreign Policy Analysis framework developed by Snyder, Bruck and Sapin (1962) and further refined by Hudson and Day (2019), foreign

policy is conceptualized as the product of interactions between international and domestic environments arbitrated through decision-makers.

Rather than assuming that states respond automatically to external structural pressures, FPA argues that foreign policy outcomes emerge from policy-maker's perceptions, institutional demands and national objectives. Accordingly, this study analyses Australia's Indo-Pacific strategy through two (Figure 1**.** below) interrelated analytical dimensions: the external environment (geopolitical pressures) and the internal domestic orientation of national interests and strategic objectives.

Figure 1. Analytical dimensions of FPA framework.



Source: Processed by the author

As these in turn influences the decisions of the state and its conduct of foreign policy. It is believed that the combination of qualitative document analysis and Foreign Policy Analysis therefore provides a coherent methodological foundation for explaining both the rationale and implementation of Australia's contemporary Indo-Pacific strategy (Bowen, 2009; Creswell & Poth, 2018; Hudson & Day, 2019).

Results and Discussion

The Strategic Environment of the Indo-Pacific

Australia's strategic environment in the Indo-Pacific is defined by a regional order that policymakers increasingly see as more contested, less predictable and more overtly shaped by U.S.-China rivalry. The literature consistently describes the Indo-Pacific as the central arena of twenty-first century geopolitical competition, where maritime corridors, economic interdependence and power projection overlap and intensify external pressures on middle powers (Nagy, 2022; Waqar et al., 2025; Leonova, 2022; Loke & Emmers, 2023).

Australia's posture has seemed to move with this shift, as the Indo-Pacific began gaining momentum over the Asia-Pacific as the key strategic frame through which Canberra interprets its security environment and role in regional order (Bisley, 2023; Vuving, 2020; He & Li, 2020; Medcalf, 2014). This matters because the external setting is not simply "out there"; it is politically interpreted by decision-makers who define which changes are threatening, which are manageable and which justify policy adjustment. Therefore, the understanding can be that Australia's strategy begins with a perception of worsening regional competition in lieu of a determined structural response (Harijanto, 2023; Boon & Teo, 2022; Kovalchuk, 2025).

The Indo-Pacific concept itself is part of that interpretive process. Various studies have argued that the concept is not a neutral geographic label but a contested "narrative" of significant importance that organizes how states imagine order, alignment and rivalry across the Indian and Pacific Oceans (Wilkins & Kim, 2020; Aryal & Nair, 2024; Vuving, 2020). Australia was an earlier and, in most cases, a strong ambassador of the term (Indo-Pacific), in part because it fits both its two-ocean geography and its desire to connect Southeast Asia, the Pacific and the Indian Ocean into a single strategic map relevant to its interests (Medcalf, 2014; Brewster, 2021; Barthwal-Datta & Chacko, 2020). At the same time, the concept carries a clear political charge, because a U.S.-led so called "Free and Open Indo Pacific" (FOIP), paired with ASEAN's Outlook on the Indo-Pacific and China's suspicions of containment have all projected different preferred orders about same regional space (Vuving, 2020; He & Li, 2020). As per FPA understanding, this means that Australia's strategic environment is filtered through a discourse that already pushes policymakers toward choices about order, other than geography.

Another significant feature of this external environment is the rise of China and the associated deterioration of Australian threat perceptions. Previous studies indicate a clear movement in Australian elite thinking from early optimism about a prosperous Indo-Pacific to a much more pessimistic reading in which the PRC is increasingly viewed as a source of insecurity, coercion and rules contestation (Bisley, 2023; Bisley, 2024). Harijanto's analysis of official documents shows that Australian reviews now explicitly frame major-power competition, coercive tactics, military modernization and miscalculation as principal threats in the region (Harijanto, 2023). It is also important to point out that Australia's China policy is shaped not only by material concerns but by identity anxiety and normative insecurity about the fate of a U.S.-led liberal order, which helps explain why Australia has adopted a tougher posture than some other middle powers facing similar structural conditions (Li, 2025). The pattern here is that policymakers interpret China not only as a geopolitical contender, but as a challenge to Australia's preferred regional identity and order.

That interpretation is not uniform across the region and this comparison also tends to sharpen Australia's distinctiveness compared to other countries in the region. For instance, Indonesia commonly promotes ASEAN centrality and inclusivity, owing to its *Independent and Active* foreign policy principle *(Bebas Aktif),* which emphasizes strategic autonomy and an independent approach to international engagement (Anwar, 2020). While many other Southeast Asian countries (except for Philippines) also seek to cooperate rather than contain China and remain reluctant to join an overt balancing coalition (He & Li, 2020; Jung et al., 2021). Nevertheless, Indonesia's strategic autonomy does not preclude substantial security cooperation with Australia. The bilateral relationship is supported by the 2006 Lombok Treaty, which established a framework for security cooperation while reaffirming respect for sovereignty and territorial integrity. This institutional relationship has subsequently expanded through regular Foreign and Defence Ministers' 2+2 dialogues and the Indonesia–Australia Comprehensive Economic Partnership Agreement (IA-CEPA), which entered into force in July 2020. These arrangements demonstrate that Indonesia maintains practical security and economic cooperation with Australia without necessarily adopting Canberra's broader strategic alignment towards the United States (Nabbs-Keller, 2020; Beeson et al., 2021).

Indonesia's response to AUKUS further illustrates this distinction. Following the announcement of the trilateral partnership in September 2021, Jakarta expressed concern that Australia's acquisition of nuclear-powered submarines

could intensify regional arms competition and undermine strategic stability. Rather than adopting a confrontational position, Indonesia emphasized nuclear non-proliferation, respect for international law and ASEAN centrality as the principal foundations of its response (Suharto et al., 2024; Umar & Santoso, 2023). This position reflects Indonesia's preference for maintaining strategic autonomy while engaging with competing major powers through inclusive regional institutions (Anwar, 2020).

India however, also differs in its combination of growing cooperation with Australia and Quad, mainly driven by its strategic autonomy tradition and less alliance-bounded role (Das, 2021; Bhutia, 2023). Japan on the other hand is closer to Australia in its tightening alignment, while South Korea has moved more cautiously and selectively under comparable competitive pressures (Abbondanza, 2022; Karim & Nabila, 2022). Within this reality, Australia faces a regional environment in which competition is shared, but responses are varied and that makes it politically consequential for relations.

Its South Pacific and Southeast Asian neighbourhood further illustrate how external conditions are interpreted through proximity and hierarchical order. The South Pacific Islands particularly is consistently treated in Australian discourse as one of its highest strategic priorities, both because of fears of hostile footholds and because of growing strategic anxiety about a more *"crowded and complex"* regional order (Wallis, 2021. pp. 487). However, a significant mismatch exists between Australia's Indo-Pacific framing and the strategic priorities of its South Pacific neighbours. While Canberra increasingly approaches the region through the lens of geopolitical competition and strategic influence, Pacific Island countries have articulated a broader regional agenda centred on climate change, environmental security, ocean governance and regional self-determination. This agenda is reflected in the Blue Pacific narrative, introduced through Pacific regional diplomacy in 2017, and subsequently institutionalised through the Pacific Islands Forum's 2050 Strategy for the Blue Pacific Continent, endorsed in 2022 (Wallis, 2021; Wallis et al., 2024; Fry & Tarte, 2025).

The Blue Pacific framework also demonstrates that Pacific Island countries are not merely passive recipients of external strategic competition. Through collective diplomatic narratives and regional institutions, they seek to influence the priorities of external partners and preserve their agency in determining the region's political and developmental future (Wallis et al., 2024; Fry & Tarte, 2025). Australia's response has involved combining security partnerships with

economic statecraft and development assistance to maintain regional influence amid China's expanding presence (Yoshimatsu & Maso, 2024). This creates a tension between Australia's strategic objectives and the region's emphasis on collective ownership, inclusivity and Pacific-led priorities.

In Southeast Asia, especially through ASEAN, Australia encounters a parallel constraint: regional states like Indonesia and Malaysia often welcome engagement, but remain wary of exclusive security arrangements that sharpen binaries and weaken inclusive institutions (Loke & Emmers, 2023). Unlike the South Pacific, however, Australia's engagement with Southeast Asia operates through a more established regional institutional environment, particularly ASEAN-led mechanisms and the principle of ASEAN centrality. Regional states generally seek to maintain inclusive diplomatic and economic engagement with competing major powers while avoiding exclusive security arrangements that could intensify geopolitical divisions. This preference is reflected in the ASEAN Outlook on the Indo-Pacific (AOIP), which emphasizes inclusivity, cooperation and the central role of ASEAN in shaping regional architecture (He & Li, 2020; Loke & Emmers, 2023; Qiao-Franco et al., 2025). This creates a strategic tension: Australia increasingly approaches regional developments through a competitive geopolitical lens, while many Southeast Asian states continue to emphasize strategic autonomy, institutional inclusivity and diplomatic engagement with competing powers.

National Interests and Domestic Goals

Australia’s domestic orientation tends to translates this environment into a national strategy centred on security and influence, but these goals are filtered through leadership perceptions and institutional preferences rather than derived automatically from external conditions. FPA is especially useful here because Australia’s foreign policy tends to be shaped by internal role conceptions, domestic politics and its bureaucratic traditions in light of systemic pressures (Rezza, 2025; Boon & Teo, 2022). One reoccurring theme that can be observed here is that Australia’s middle-power identity is not singular either: dependent ally, middle-power activist and pragmatic hedging (especially towards Southeast and South Pacific states) all continue to coexist, even if one dominates at a given moment (Taylor, 2020; Taylor, 2025). As a result, it’s Indo-Pacific strategy should be read as a product of domestic role competition rather than a settled doctrine. The result is a *hybrid strategy* that mixes balancing, hedging and coalition-building in ways that are sometimes complementary or contradictive (Sáfrán, 2026; Bisley, 2024).

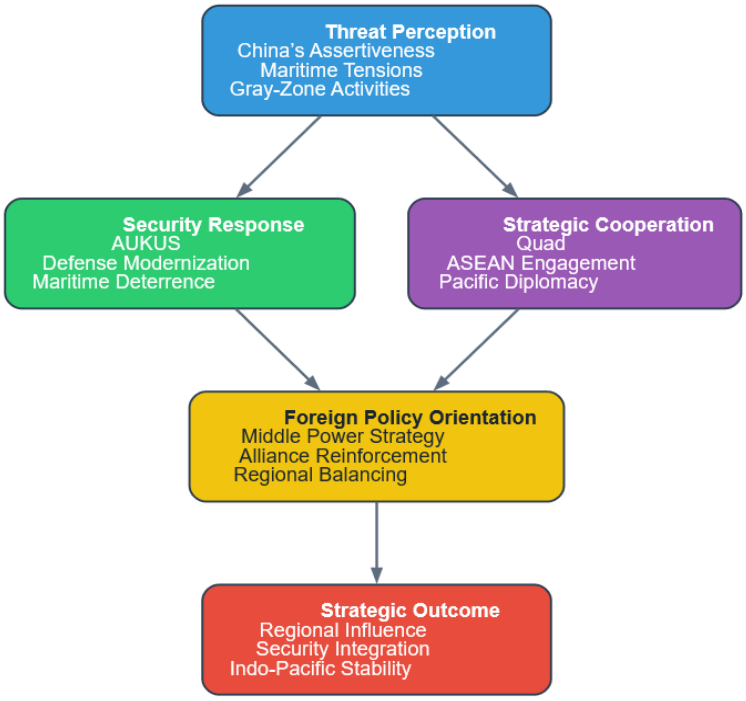
1. Security Priorities and Alliance Strategy

On national security, the dominant pattern is a shift toward harder balancing, denial and strengthening of alliances. Australia seems to be moving from hedging or cautious optimism toward a more explicit balancing posture against China, supported by bipartisan consensus and a belief that geography no longer guarantees safety (Bisley, 2023; Mikhaylenko, 2025; Laurenceson, 2025). It's defence strategy now emphasizes deterrence by denial through tough posturing, upgrading of long-range and stealth capabilities (AUKUS/Australia-United Kingdom-United States) to shape its environment rather than simply defending the continent from a distance (Vuving, 2020; Averill, 2025; Firhansyah, 2026). This reflects how policymakers have interpreted shorter warning times and regional coercion as requiring a more forward and capable defence posture. It also reflects elite judgments that high-end capability and coalition interoperability are necessary to preserve room for manoeuvrability, even if that narrows formal autonomy.

Central to this shift, is its strong, long-standing alliance with United States since the ANZUS Treaty of 1951 (originally between Australia, New Zealand and United States), the Quad and AUKUS (**Figure 2** below) as they have been the backbone of its Indo-Pacific strategy (Abbondanza, 2022; Montolalu, 2022; Bisley, 2024). As mentioned earlier, AUKUS in particular is one of significant interest not only externally, but internally as well as it concerns the enhancement of Australian capability, status and power-projection potential in an uncertain regional environment (Leonova, 2022; Cheng, 2022; Cox et al., 2023). This brings to light another contradiction: moves framed domestically as building sovereign capability also deepen operational dependency on the U.S., further reinforcing the notion of fear of abandonment (Firhansyah, 2026; Cox et al., 2023; Beeson, 2025). This makes it both a resource and a constraint, as it expands capacity while narrowing the range of politically thinkable alternatives.

From an institutional perspective, Australia's security policy demonstrates a preference for strengthening smaller and more strategically aligned arrangements when existing regional mechanisms are perceived as insufficient to address its security concerns. AUKUS and the Quad illustrate this approach through capability development, strategic coordination and cooperation among selected partners. However, these arrangements do not replace Australia's engagement with established regional institutions. Rather, they operate alongside broader diplomatic and economic frameworks, allowing Canberra to pursue security objectives while maintaining access to wider regional networks.

Figure 2. Security aspect towards regional developments.



Source: Processed by the author

The regional responses tend to sharpen that contradiction as the wider region has reacted to AUKUS with caution, as such exclusive security pacts have the potential to intensify arms competition, harden blocs and rattle existing institutions (Vuving, 2020; Cheng, 2022; Loke & Emmers, 2023). Southeast Asian states often see exclusive minilaterals as useful in limited ways but remain resistant to being drawn into explicit anti-China architectures (Loke & Emmers, 2023). Obervarably, this security posture reassures some partners, especially Japan and increasingly India, while unsettling others that prioritize ambiguity and ASEAN centrality for ASEAN states (Nagy, 2022; Das, 2021; Laurenceson, 2025). The point here is not that Australia lacks strategy, but that its alliance strategy produces uneven regional legitimacy.

Australia's country-specific dealings (**Table 1.** below) illustrate this logic. With India, security cooperation has deepened because both states see maritime order and balancing as overlapping interests, even if India still preserves more autonomy than Australia does (Nagy, 2022; Laurenceson, 2025; Bhutia, 2023). With Japan, Australia has built a dense special partnership that reinforces minilateral security cooperations and regional preferences (Wilkins, 2021;

Laurenceson, 2025). In the South Pacific, Australia has intensified its security agreements with regional players like Papua New Guinea (PNG) with the recently signed Pukpuk Defence Treaty (2025) as it views the neigbouring proximity as a primary strategic belt (Wallis, 2021; Beeson, 2025; Boon & Teo, 2022). These patterns show how domestic security priorities are intergrated bilaterally across the Indo-Pacific, guided by proximity and utility.

Table 1: Australia's Indo-Pacific partner orientations.

Partner/Region_'s Main Orientation	Policy Tension	
United States	Deep alliance integration and minilateral security cooperation (Cox et al., 2023; Montolalu, 2022)	Sovereign vs Dependence
Indonesia/ASEAN	Engagement, reassurance and inclusivity (Tyler, 2025; Loke & Emmers, 2023)	Security Cooperation vs ASEAN Centrality
India/Japan	Middle-power coalition building and maritime balancing (Nagy, 2022; Munir & Safdar, 2024)	Shared Order Goals vs Veried Alignments
PNG/South Pacific	Neighbourhood stability, security support and influence (Wallis, 2021; Boon & Teo, 2022)	Strategic Competition vs Blue Pacific Priorities

Source: Processed by the author

2. Economic Statecraft and Regional Engagement

Australia's economic statecraft on the other hand seems to be more flexible than its security policy, but it follows the same FPA logic of reconciling competing pressures through selective choices. The core dilemma tends to be a security-economic misalignment: China remains central to Australia's trade and economic prosperity as its largest economic partner, while the United States remains central to its security guarantees as its largest defence partner (Wilkins, 2021; Gorbatko, 2021; Setiawan et al., 2025). Meaning that Canberra has not fully abandoned strategic hedging, even after AUKUS (Ongom et al., 2026). As it still seeks deeper economic integration through regional trade and selective diplomacy with Beijing where possible (Laurenceson, 2025; Setiawan et al., 2025). Such can be observed in its participation in both the Regional Comprehensive Economic Partnership (RCEP) 2020, aside from the China-

Australia Free Trade Agreement (ChAFTA) 2015 and AUKUS as evidence of this *dual-track strategy* (Rezza, 2025; Ongom et al., 2026).

This is especially visible in Southeast Asia. The Albanese government has emphasized ASEAN centrality, Indonesia's success and Southeast Asia's economic opportunities, indicating that Canberra sees regional engagement as a practical necessity for prosperity and political legitimacy (He & Li, 2020; Nguyễn, 2025). Yet quite possibly, a stronger Southeast Asian diplomacy is partly compensatory, merely responding to uncertainty as a result of concerns about deteriorating U.S. regional influence aside from its alliance-centric strategy cannot secure its long-term interests (Nguyễn, 2025; Chan, 2020).

Conclusions

This study finds that Australia's Indo-Pacific strategy is shaped by the interaction between external geopolitical pressures and domestic foreign policy orientations, which together influence how Canberra defines its strategic priorities and translates them into foreign policy decisions. Externally, intensifying U.S.–China strategic competition, growing concerns over regional security and the perceived need to preserve a so called "rules-based order" have driven Australia toward a more proactive regional posture. Domestically, national security priorities, dependence on the United States for strategic deterrence and Australia's middle-power identity shape how these external pressures are interpreted and incorporated into policy decisions.

The analysis demonstrates that Australia's Indo-Pacific strategy reflects a *pragmatic hybrid approach* - combining alliance-based balancing, selective strategic hedging and regional engagement. At the same time, it continues to pursue economic engagement and diplomatic cooperation within Southeast Asia, South Pacific and other Indo-Pacific partners to preserve regional legitimacy and economic interests. This combination is particularly evident in Australia's continued participation in security arrangements with the United States alongside its economic engagement through the Regional Comprehensive Economic Partnership (RCEP), the China–Australia Free Trade Agreement (ChAFTA) and diplomatic engagement with regional partners. Through these institutional arrangements, Australia advances security cooperation through AUKUS and the Quad while maintaining regional diplomatic engagement through ASEAN-led mechanisms and the Pacific Islands Forum, alongside its participation in regional economic frameworks. This demonstrates that Australia's security alignment and economic engagement do not always follow

the same strategic orientation, but are pursued through differentiated institutional engagements across the Indo-Pacific.

Future research may extend this analysis by examining how changes in political leadership, public opinion, bureaucratic preferences, or electoral dynamics influence Australia's Indo-Pacific strategy over time. Comparative Foreign Policy Analysis involving other Indo-Pacific middle powers, particularly Japan, India and South Korea, would also contribute to better understanding of how similar external pressures produce different responses across the region.

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