

THE CASE FOR AUSTRALIA TO STEP UP IN SOUTHEAST ASIA

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EXECUTIVE SUMMARY

Australia shares a significant overlap of geographically-derived interests with the emerging middle powers of Southeast Asia. The resilience of developing Southeast Asia functions as the protective membrane for Australia's own prosperity and security.

Navigating a path through U.S.-China competition and forging constructive ties with its Southeast Asian neighbors are among Australia's most pressing foreign policy priorities. And yet, misaligned expectations have complicated the potential for a broad-based consensus needed to sustain Australia's Indo-Pacific strategy in the region. This is often driven in both directions by a failure to understand, or simply the urge to gloss over, fundamental differences in identities, temperaments, priorities, and alignments between Australia and its Southeast Asian counterparts. Such differences will require concerted efforts to manage.

In the wake of the coronavirus pandemic, Canberra should prioritize an outward-looking and ambitious Indo-Pacific strategy rather than risk withdrawing into a pessimistic and defensive regional posture. Australia's strategic circumstances, while critical, are also dynamic. They create an opportunity to rethink, reorder, and step up regional diplomacy. Australia will have to re-engage the middle powers of Southeast Asia on their own terms, as well as look for ways to bridge strategic priorities in its two closest geographic theaters.

This can be done by committing to a post-COVID-19 recovery strategy for Southeast Asia in addition to aid efforts already underway in the South Pacific. Succeeding in its minilateral and multilateral ventures will also require a clearer differentiation in Australia's Indo-Pacific objectives: building a strategic and military counterweight to China through strategic partnerships, on one hand, and cooperating with a more diverse set of middle powers in shoring up the rules-based regional order, on the other.

Australia should continue to support Southeast Asian countries in building regional balance in the ways they do best. The Association of Southeast Asian Nations' (ASEAN) emerging economic architecture may well prove to be the most consequential multilateral hedge against Beijing's asymmetric economic clout. Canberra should also facilitate and deepen cross-regional linkages between Southeast Asia and the Pacific. This will help to diversify the international relations of Pacific island nations and minimize the risk that they become overly dependent on China.

THE THREE THEATERS OF AUSTRALIA'S INDO-PACIFIC STRATEGY

Australia has long been spoilt by its splendid isolation — surrounded as it is by friends and fish across two oceans, the Indian and the Pacific. This offers a comparative advantage relative to many Asian counterparts, whose geographies play far more directly into their strategic vulnerability.

Nevertheless, managing relations in the multiple neighborhoods surrounding the island continent also poses unique challenges for a middle power with limited resources. Australia's prosperity is inextricably invested in the security of both the Indian and Pacific oceans as well as maritime and continental Southeast Asia. This helps explain why Canberra was an early adopter of the Indo-Pacific concept as an organizing principle for its foreign and defense policy.

The Australian Department of Foreign Affairs and Trade's 2017 Foreign Policy White Paper lays out the following overarching aim in the extended region: "To support a balance in the Indo-Pacific favourable to our interests and promote an open, inclusive and rules-based region."¹ This paper broadly identifies three geographic "rings" of Australian strategic interests, each defined by a distinct set of foreign policy and defense objectives, that together frame Australia's Indo-Pacific strategy:

- **A Pacific "inner ring" where Australia is the dominant resident power and will, alone if necessary, use military force to safeguard its interests and regional stability.** Australia's near abroad encompasses its northern approaches through to the small island states of the South Pacific. For much of the 20th century, including World War II, Papua New Guinea was Australia's "northern shield."² Today Papua New Guinea continues to reinforce the imagined boundary of Australia's "inner ring."³

- **A Southeast Asian "middle ring" where Australia must work "with and through equals" to pursue an inclusive and rules-based regional order.**⁴ Southeast Asia "frames Australia's northern approaches" and most important trade routes, and "sits at a nexus of strategic competition in the Indo-Pacific," according to the 2017 Foreign Policy White Paper.⁵ Australia and the emerging middle powers of Southeast Asia alike are struggling to deal with the erosion of the rules-based order in the face of the realignment of U.S.-China relations.

- **An Indo-Pacific "outer ring" where Australia is working with Japan, India, and the United States to create a military and strategic counterweight to China.** Australia's quadrilateral grouping with three major Indo-Pacific powers, including its longstanding ally the United States, is the standard-bearer for its emerging regional defense diplomacy. The aim here is to deepen military cooperation among like-minded democracies to signal an intent to counter and thereby deter future Chinese attempts to further alter the status quo in the Indo-Pacific.

MIDDLE POWER DIPLOMACY

In calling for an "open, inclusive and rules-based" Indo-Pacific, Australia has sought to emphasize only the most vital overlapping interests of open trade, inclusive regionalism, and basic respect for territorial and domestic sovereignty among a broad church of actors across these concentric theaters.

Such pragmatism is designed in part to encourage middle power cooperation and its role in region-building. Rory Medcalf, a leading Australian advocate for the Indo-Pacific concept, has used the idea to seek to move the Australian debate from a narrow "U.S. versus China" lens to one that properly puts the entire region into discussions of regional order.⁶ He argues that Australian foreign

policy should be premised on the potential of middle powers to achieve significant things, both in the absence of the United States as a regional security guarantor and in open defiance of China as an economic powerhouse.

The findings of the Lowy Institute’s Asia Power Index appear to support this view.⁷ When neither the United States nor China can “win” primacy in Asia, the actions of the next rung of powers become more consequential and will constitute the marginal difference. A balance of power will ultimately be determined not simply by rival superpowers but the interests and choices of a “long tail” of large and small powers. These actors can collectively influence the regional order, even if none is powerful enough to attempt to dictate it.

A SOUTHEAST ASIA STEP BACK?

Both the 2016 Defence White Paper and the 2017 Foreign Policy White Paper suggest Australia’s government should weigh its geographical theaters and priorities equally in support of “a stable Indo-Pacific region and a rules-based global order.”⁸ However, this paper argues that Canberra has in recent years shifted the balance of its attention and resources from an aspirational and outward-looking strategy for multilateral region-building, to a more pessimistic and defensive posture disproportionately focused on Australia’s Pacific “inner ring.”

The government’s signature foreign policy initiative since 2018 – the Pacific Step-up – is designed to maintain Australia’s coveted role as the partner of choice for economic, development, and security cooperation in its Pacific near abroad. It comes in direct response to China’s economic and political overtures to several Pacific island states.

The trouble is that an Australian step up in the South Pacific also looks suspiciously like a step back in Southeast Asia. One of the most visible manifestations of Canberra’s shift in priorities

has been to redirect a significant proportion of its annual overseas development assistance from Asia to the South Pacific, a region with a vastly smaller population and far less significance for regional order.

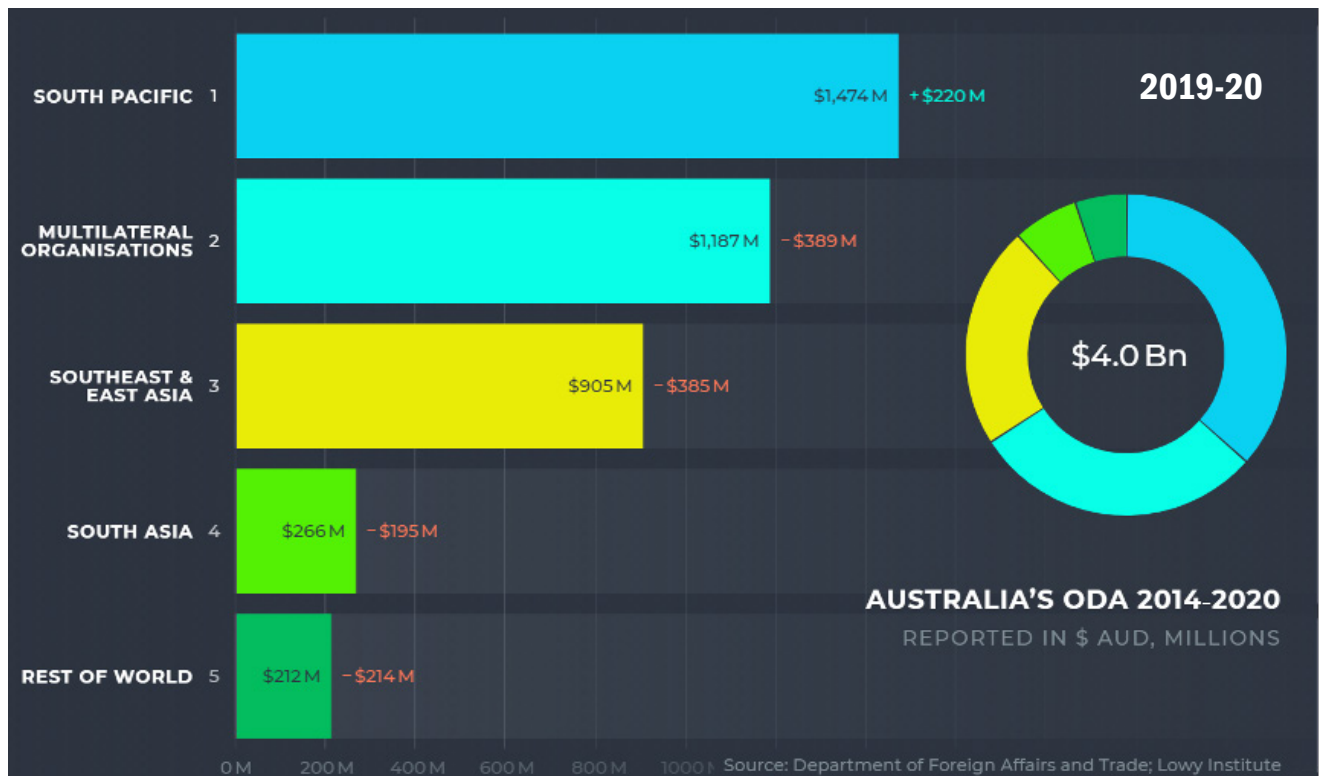
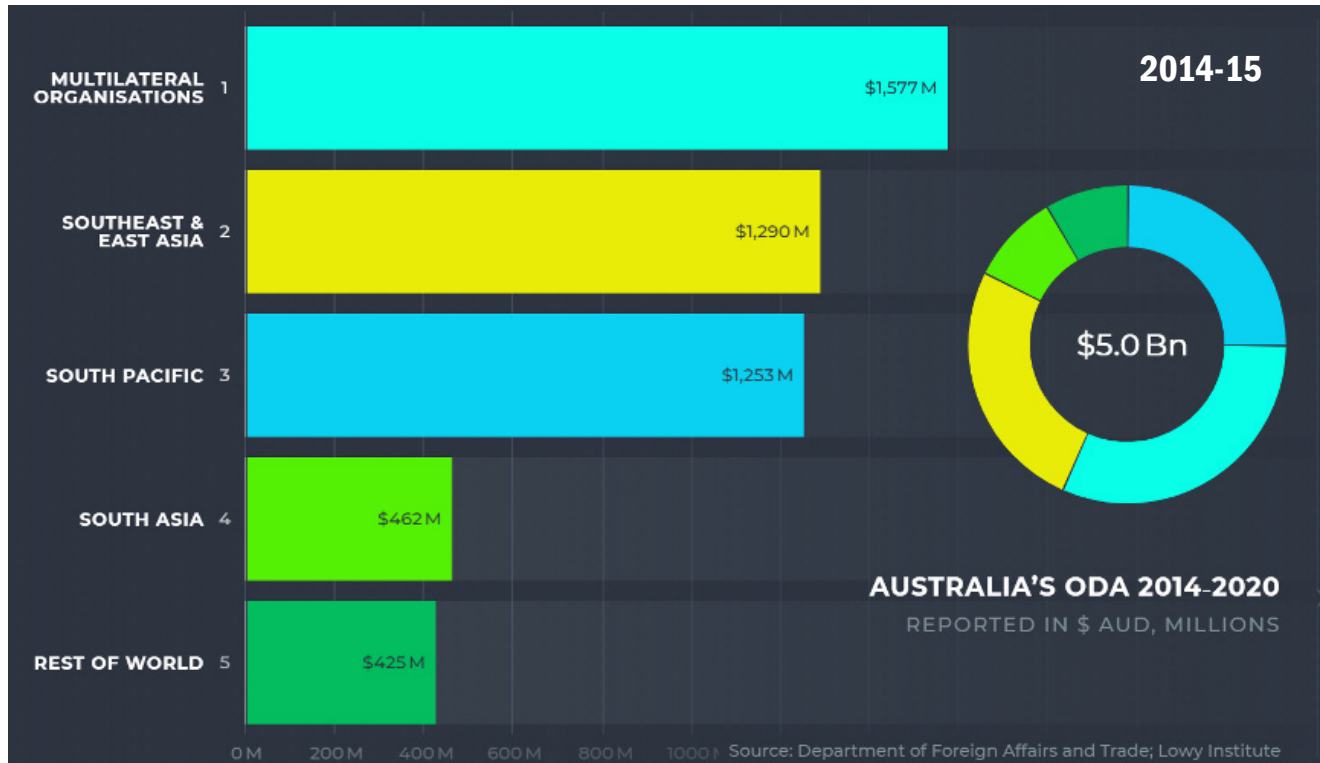
A dozen Pacific island states, with a combined population of 11 million people, now receive more Australian development assistance than all of developing Asia (Figure 1).⁹ Similarly, the government’s answer to China’s Belt and Road Initiative – the \$2 billion AUD Australian Infrastructure Financing Facility for the Pacific – has been restricted to only financing projects in Pacific island countries and Timor-Leste.¹⁰

This has been to the detriment of Australia’s interests and objectives in its Southeast Asian “middle ring.” Absent a more tailored engagement strategy for Southeast Asia – comparable in resourcing to the Pacific Step-up – there are reasons to doubt initiatives based on drawing key Southeast Asian partners closer into Australia’s “outer ring” Indo-Pacific defense partnerships will work.

Australia’s regional partners, Indonesia foremost among them, are comfortable, and may even be quietly supportive, of efforts to forge a military balance of power to dilute and constrain Chinese power. However, with the possible exception of Vietnam, they will likely continue to see themselves as distinct from it.

To prevent a hollowing out of its Indo-Pacific strategy, Australia will have to re-engage the middle powers of Southeast Asia on their own terms, as well as look for ways to bridge strategic priorities in its two closest geographic theaters.

FIGURE 1: AUSTRALIAN'S OFFICIAL DEVELOPMENT ASSISTANCE (ODA) ALLOCATIONS, 2014-15 VS. 2019-20



Note: 2019-20 data shows allocations at beginning of fiscal year, not confirmed expenditures. Source: Australian Department of Foreign Affairs and Trade, Lowy Institute¹¹

AUSTRALIA IN THE POST-COVID WORLD

The spread of the coronavirus virus has accelerated existing geopolitical trends — including a near complete breakdown in Australia-China relations.¹² Prime Minister Scott Morrison has likened an “almost irreversible” deterioration in Australia’s external outlook to “the existential threat we faced when the global and regional order collapsed in the 1930s and 1940s.”¹³ With this grim outlook in mind, the government has earmarked \$270 billion AUD in defense spending over the next decade. The 2020 Defence Strategic Update calls for new capabilities, including long-range missiles, to enhance Australia’s ability to project power and deter adversaries.¹⁴

The Defence Strategic Update also commits Australia to shaping its strategic environment, broadly defined, from the northeastern Indian Ocean through Southeast Asia to the South Pacific. The emphasis placed on “shaping” all three theaters of Australia’s Indo-Pacific strategy sounds obvious, but it is significant. It can be read as a rejection both of outright resignation that the regional order is beyond repair, and of the continentalist strain in Australia’s strategic thinking that prioritizes the defense of the country’s Pacific approaches.

At issue then is not the stated objective of the Defence Strategic Update, or indeed stepped-up efforts to prepare for a worst-case scenario, but wider failures of omission in Australia’s post-COVID strategy. If the aim is to improve — and not just defend against — a disorderly Indo-Pacific, that is the work of creative foreign policy. In focusing on all too evident dangers, we risk overlooking or underestimating opportunities for ambitious regional diplomacy.

Nowhere is Australian diplomacy more consequential than in the “middle ring” of the Indo-Pacific. Australians share a greater overlap of geographically derived interests with the more proximate middle powers of Southeast Asia than they do with any of the Indo-Pacific major powers;

whether Japan, India, or the United States. Forging constructive ties with its Southeast Asian neighbors — to bolster their resilience and the Indo-Pacific’s rules-based architecture — is among Australia’s most pressing priorities. And yet underinvestment in the region and misaligned expectations have complicated this objective.

SOUTHEAST ASIAN CONCERNS

The high-water mark of Australia’s Southeast Asian multilateralism came in March 2018, when then Prime Minister Malcolm Turnbull hosted nine of his Southeast Asian counterparts at a special summit in Sydney, the first ASEAN gathering on Australian soil. The optimism surrounding the summit even led to calls in policy circles for Australia to join ASEAN outright, with proponents arguing membership would provide a logical culmination to Australia’s decades-long quest to integrate itself with Asia.¹⁵

Such advocacy — which has never been official government policy — is nevertheless revealing of a dialogue partnership which has often been prone to misplaced hopes, followed by bouts of disappointment.¹⁶ Leaving aside the fact that the ASEAN Charter rules out potential member states not located “in the recognised geographical region of Southeast Asia,”¹⁷ it is highly unlikely there would ever be internal ASEAN support, let alone the consensus required, for bringing Australia into the club.¹⁸

Perhaps all too predictably, the warm afterglow of the Sydney summit did not last long. Instead, geopolitical pressures have led to a significant — if rarely openly acknowledged — cooling of relations between Australia and the ASEAN grouping since 2018.

Less than eight months after the special ASEAN summit Down Under, a different Australian prime minister, Scott Morrison, announced in November 2018 that Australia was “returning the Pacific to where it should be — front and centre of Australia’s strategic outlook.”¹⁹ Concerns that the Pacific Step-up has come at the cost of Australia’s commitment

to Southeast Asia have been raised by senior policy analysts from the region. Liew Chin Tong, an Australian National University graduate who recently served as Malaysia's Deputy Defence Minister, has written for example: "I often wonder nowadays where Australia's Asia dream has gone. At one point, Australia was pushing hard to be considered a part of Asia. That ambition is disappearing."²⁰

CHINA: THE ELEPHANT IN THE ROOM

Australia's Pacific Step-up has also highlighted how Australia's relationship with China has shifted to a more adversarial posture. Whereas ASEAN member states are inclined to view U.S.-China rivalry as the main driver of regional instability, for Canberra, President Xi Jinping's China now unequivocally poses the greatest threat to regional and Australian security. ASEAN is often dismissed in this context as an increasingly inadequate and anachronistic mechanism for navigating widening geopolitical fault lines — particularly in the South China Sea.

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The mutual apprehension at play here is aptly summed up by the contrasting assessments of two seasoned regional strategists. According to Peter Varghese, the former secretary of Australia's Department of Foreign Affairs and Trade, "ASEAN as a grouping may remain on the sidelines of the strategic balance. But, with some notable exceptions, more and more individual ASEAN nations are being pulled into China's orbit."²¹ His former Singaporean counterpart, Bilahari Kausikan, sums up the countervailing view. Of all regional middle powers, in his assessment, "Australia seems the most discombobulated by the

new situation, swinging from a position of naive complacency toward China, to one of near-hostility toward all things Chinese."²²

There is in fact truth in both these statements. ASEAN and its member states are collectively ill-suited to dealing with growing regional security challenges involving China, while Australia's external outlook has become increasingly securitized, less Southeast Asia focused, and more China-driven.

These differences will require concerted effort to manage. It is not enough to say that Australia and its Southeast Asian counterparts share the "lowest common denominator" of interests — stability, security, and prosperity. At the heart of Australia's cooling relations with ASEAN is disagreement about the structure underpinning these goals and the methods used to achieve them.

SHIFT TO MINILATERALISM

Whereas Canberra had once hoped to become more Southeast Asian, through closer integration with ASEAN, today it is banking on its Southeast Asian partners aligning more with Australia's "outer ring" Indo-Pacific diplomacy. Analysts see diminishing marginal returns from closer association with ASEAN-led multilateralism.²³ Instead, Canberra has led the way in proposing variable geometry — bilateral, trilateral, quadrilateral, and "quad plus" — arrangements to carve out alternative security structures that in effect bypass ASEAN.

Progress on "minilateral" initiatives has been remarkable in recent years. Despite a far more modest military capability, Australia is ranked ahead of the United States for its non-allied defense partnerships in the Lowy Institute Asia Power Index.²⁴ Australia carries less "great power baggage" and has demonstrated it can be far nimbler in Southeast Asia than its U.S. ally.

In August 2018, Indonesia and Australia signed a comprehensive strategic partnership, which includes a pillar on regional stability to enable both sides,

in the words of Australia's ambassador to Jakarta, to "shape the Indo-Pacific region in ways we both agree we want it shaped."²⁵ The following year, Indonesia was instrumental in pushing through the "ASEAN Outlook on the Indo-Pacific" — a symbolically important, if somewhat watered down, regional endorsement of the Indo-Pacific concept. Canberra is also pushing to formalize a "trilateral bloc" with India and Indonesia through joint maritime exercises and consultations between the three sets of foreign and defense ministers.

In late 2019, Morrison visited Hanoi in the first bilateral visit by an Australian leader to Vietnam in 25 years. Leaders of the two countries agreed to begin meeting annually, while their defense ministers will also hold yearly exchanges to discuss shared security challenges.²⁶ Singapore and Australia, meanwhile, have strengthened their comprehensive strategic partnership with a treaty, signed in March 2020, that paves the way for enhanced training deployments for up to 14,000 Singapore Armed Forces (SAF) personnel on annual four-month rotations to Australia.²⁷ Canberra has also sought to inject new dynamism in its longstanding Five Power Defence Arrangements, which include Malaysia and Singapore.

Australia's comparative advantages as a middle power are evident in these achievements. Nevertheless, they also reveal a growing tendency in Canberra to engage the region primarily through a security lens.

ROADBLOCKS AHEAD

Implicit in Australia's minilateral initiatives is the hope that a narrower grouping of Southeast Asian middle powers will eventually assimilate anxieties about China's role in the region and become net contributors to a broader Indo-Pacific balance of power. Indonesia — on account of its size and geography — is often cited as having great potential to directly support, or at least complement, the Australia-India-Japan-U.S. quadrilateral grouping.²⁸

However, expectations that Southeast Asian middle powers will soon join Australia, India, Japan, and the United States in actively counterbalancing China in military and strategic terms have come undone in at least four critical respects:

1. **At a practical level, regional actors lack the heft and physical distance from China required to confront it militarily much outside of their sovereign jurisdictions, and often even from within them.** No Southeast Asian country is particularly suited to participating in a classical concert of powers. Most of the larger players — such as Indonesia, the Philippines, Thailand, and Myanmar — are more concerned about projecting power internally, on unresolved nation-building and security challenges, than they are on projecting it externally. The Lowy Institute's Ben Bland, author of the first English-language biography of Indonesian President Joko Widodo, argues "Indonesia's foreign policy is best understood as a reflection of domestic politics, rather than a strategic vision to become a new fulcrum for Asia."²⁹
2. **At a political level, there simply remains too profound a disconnect between the Indo-Pacific major powers and even the most strategically minded Southeast Asian players.** Actively balancing China and deterring it from attempts to further alter the status quo in the Indo-Pacific has become the de facto objective framing Canberra's Indo-Pacific strategy.³⁰ By contrast, Singapore Prime Minister Lee Hsien Loong has forcefully rejected the reassertion of power politics, notably in his 2019 Shangri-La Dialogue address. The city-state speaks for many smaller actors when it insists it will not take sides but instead will seek to preserve the agency of Southeast Asian middle players amid escalating great power rivalry.³¹

3. State actors in a region as diverse and historically complex as Southeast Asia are naturally inclined to hedge between powers to manage competing influences.

This is as true of U.S. treaty allies, the Philippines and Thailand, which have become more China-friendly, as it is of communist Vietnam, whose embrace of the West has not ended Hanoi's longstanding party-to-party ties with Beijing. On the other hand, Australia's enduring bonds with the United States effectively rules out an equidistant approach between Washington and Beijing. Morrison has reiterated that the U.S. alliance constitutes "our past, our present, and our future."³²

4. Concerns in Southeast Asia about China are not, for the most part, focused on the shifting balance of power at all.

Most countries regard China's rise as inevitable and their dependency on their largest trading partner as something to manage rather than strategically counterbalance. Rather more parochial concerns tend to drive China engagement or pushback, including renegotiating infrastructure loan agreements, sensitivities around diaspora communities, and maritime boundary disputes.

The dilemma this poses Canberra is that the same impediments that dis-enamoured ASEAN in the eyes of Australian policymakers also exist in Australia's bilateral relationships with individual Southeast Asian partners. The problems arise not from ASEAN itself – which as an institution is often less than the sum of its parts – but rather from the characteristics of its member states.

A failure to recognize, or the urge to gloss over, these realities will likely result in disappointment. What is needed from Canberra is a more tailored approach to working with the middle powers of Southeast Asia – one that takes greater stock of their development needs, and is not exclusively couched in terms of competition with China.

OPPORTUNITIES IN A POST-COVID WORLD

The onset of COVID-19 presents a significant inflection point in Australia's relationship with the region. Governments and societies, almost without exception, are facing a toxic mix of public health, economic, security, and strategic challenges. The Morrison government has been blunt in its appraisal, outlining "a post-COVID world that is poorer, that is more dangerous, and that is more disorderly."³³

Nevertheless, Australia's strategic circumstances, while critical, are also dynamic. They create an opportunity to rethink, reorder, and step up Canberra's Southeast Asia engagement. Importantly, the pandemic allows for a more precise articulation of Australia's shared interests with the middle players of Southeast Asia.

According to the ISEAS State of Southeast Asia survey in 2020, Japan is regarded as the most trusted major power among Southeast Asians policymakers, with 61.2% of respondents expressing confidence in Tokyo to "do the right thing" in providing global public goods, in contrast to 30.3 and 16.1% for the United States and China, respectively.³⁴

Japan's regional standing and willingness to invest in Southeast Asia's development for its own sake underscores the importance for Australia of being a trusted, committed, and respected development partner for the region. This can only strengthen Australia's engagement on the merits of a balance of power that seeks to uphold the regional rules-based order.

Helping the region to sustainably recover from the pandemic will require improving health security, alleviating poverty and inequality, strengthening domestic and multilateral institutions, and shoring up the international trading system. To do so, Australia will have to invest not only in defense partnerships, but in its development and economic tools of statecraft.

A SOUTHEAST ASIA STEP UP

Southeast Asian governments, understandably, are far more concerned by the domestic crises confronting them than the pandemic's geopolitical implications. The ability of authorities to manage the myriad secondary consequences of the pandemic — including falling demand for exports, the emergence of a new class of “COVID-poor,” and lost government revenues — is being severely tested.³⁵ Yet stalled recoveries and state weakness in Southeast Asia would have unavoidable implications for the regional balance of power — with detrimental consequences for Australia's future security and prosperity.

At the same time, neither the United States nor China appears presently able to mount a credible international response. That leaves an opening for a networked grid of “competent powers” to lead regional recovery efforts.³⁶

Australia is set to be among the first to onshore manufacturing of one, or more, of the first successful COVID-19 vaccines. Canberra has committed \$80 million AUD to the World Health Organization's global COVAX initiative for the equitable global distribution of coronavirus vaccines. Plans are underway for the Australian Indo-Pacific Centre for Health Security to assist in rolling out coronavirus vaccines to the Pacific island states, Indonesia, Cambodia, Laos, Myanmar, the Philippines, and Vietnam.³⁷

If Australia wants to have a role in shaping the long-term trajectory of Southeast Asia, it will require a level of engagement comparable in scale and breadth to the Pacific Step-up.

This initiative marks a significant first step in bridging the needs of the two Indo-Pacific theaters of greatest concern to Canberra. However, if Australia wants to have a role in shaping the long-term trajectory of Southeast Asia, it will require a level of engagement comparable in scale and

breadth to the Pacific Step-up. An Australian post-COVID aid strategy could be enhanced through a consortium of trusted actors — including Japan and the European Union — jointly committing to a roadmap for Southeast Asia's recovery.

Enhanced Australian development assistance should aim ultimately not only to improve regional health security but to help the most vulnerable countries — particularly those in Mekong Southeast Asia — become more resilient, effective, and equitable countries. This would put them in a better position to withstand direct and indirect interference in their body politics from China. In many ways, the skills and expertise needed for a multi-year regional recovery effort — whether in healthcare, education, or capacity building — would also play more directly to Australia's strengths than attempts to compete with China on infrastructure financing.

MULTILATERAL REBOOT

Finally, Australia should rediscover its confidence as a middle power that looks to the positives and potential of Southeast Asian multilateralism in the wake of the pandemic. Balancing minilateral and multilateral diplomacy requires a clearer differentiation of objectives, between deterring China through strategic partnerships, on one hand, and cooperating with a more diverse set of middle powers in shoring up the rules-based regional order, on the other. Both approaches will ultimately reinforce each other in creating strategic balance to offset China's growing power in the Indo-Pacific.

The government has been right to migrate its defense diplomacy to minilaterals in response to intramural ASEAN divisions on regional security challenges. It is true a one-size-fits-all ASEAN approach to external strategic balancing will not work. However, neither should ASEAN's ability to keep the peace among 10 very different countries be underestimated or taken for granted.

The “ASEAN way” still offers Australia a critical if underappreciated security dividend. Consensus-based decision making, while slow and often aspirational, nevertheless functions as a safeguard against the recurrence of great power proxy conflicts that destabilized the region during the Cold War. As the principle comes under greater strain, paradoxically it also takes on greater significance.

AN ECONOMIC BALANCE OF POWER

For all its flaws, ASEAN-centered multilateral architecture also continues to provide the only viable, broad-based, and suitably non-aligned alternative to a Sino-centric order in the Indo-Pacific. The goal then should be to help Southeast Asian countries maintain regional balance in the ways they do best: by slowly weaving together a set of rules among diverse actors for the region’s economic governance.

What the quadrilateral grouping delivers for the military balance of power in the Indo-Pacific, ASEAN can deliver for the regional economic balance of power. ASEAN’s support for the Comprehensive and Progressive Agreement for Trans-Pacific Partnership, which came into effect without the United States at the end of 2018, and its progress towards the Regional Comprehensive Economic Partnership (RCEP), despite India’s withdrawal in 2020, are examples of the region’s commitment to strengthening the economic rules-based order.

The success of homegrown multilateral initiatives — often in spite of the protectionist and decoupling agendas of major Indo-Pacific powers — will not only be crucial for post-COVID recovery efforts but ultimately offers the most compelling answer to Beijing’s preference for bilateral economic diplomacy, as seen in the Belt and Road Initiative. The lowering of trade barriers under RCEP between developed economies — Australia, Japan, and South Korea — and large developing economies — such as Indonesia and Vietnam — can help to build a multilateral hedge to China’s asymmetric economic power.

In so doing, ASEAN proves three things. First, a broad church of middle players can still forge a pan-regional consensus on important components of the rules-based order, despite their diversity of interests and alignments. Second, China’s power, while significant, is not yet so severe that it must subsume all the interests of its neighborhood. Third, ASEAN-centered diplomacy can still bind Beijing to multilateral modes of regional governance when it has strength in numbers.

BRIDGING AUSTRALIA’S INDO-PACIFIC THEATERS

The same lessons may well extend to Australia’s Pacific “inner ring.” China’s expanding economic clout means Australia’s strategic theaters are inevitably merging. To succeed in its Indo-Pacific strategy, Canberra will have to actively seek to bridge distinct geopolitical games.

The developing economies of the South Pacific — notably the largest, Papua New Guinea and Fiji — increasingly look to Asia as a source of inward investment and deepening trade. Without acknowledging and facilitating the aspirations of Pacific countries to want to connect with Asia, China’s overtures may only find greater traction in the region.

Canberra, however, is uniquely placed to facilitate and deepen cross-regional linkages between Southeast Asia and the South Pacific. This can be done by exploring a variety of opportunities:

1. The Australian Infrastructure Financing Facility should aim more explicitly to integrate the Pacific island states with the economic hubs of Southeast Asia via interregional transport and connectivity projects.
2. As the intergovernmental organizations in their respective regions, ASEAN and the Pacific Islands Forum (PIF) — a grouping of 18 countries and territories, of which Australia is the largest — could be encouraged to institutionalize economic cooperation between their member states.

3. Australia should invite a broad grouping of Pacific island states to participate on the sidelines of biennial ASEAN-Australia summits, providing an opportunity for Pacific island leaders to engage directly with their Southeast Asian counterparts.
4. Canberra could also lobby for Papua New Guinea, the second-largest of the PIF states and a country that sits on the geographic continuum of Southeast Asia, to become an annual participant at the East Asia Summit.

Bringing Australia's Pacific neighborhood into contact with Southeast Asia's big-tent diplomacy would help to diversify the international relations of the Pacific island states, socialize their leaders into wider discussions on regional order, encourage agency and minimize the risk that these smaller players are treated as pawns in great power rivalry.

For Australia and its Southeast Asian partners alike, these initiatives would reaffirm the relevance of cooperative regionalism at the core of any durable Indo-Pacific balance of power.

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