

# MP-IDSA

## *Issue Brief*

# Australia's Quest for 'Strategic Equilibrium' in the Indo-Pacific

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## *Summary*

Australia's quest for 'strategic equilibrium' in the Indo-Pacific has seen its diplomacy focus on building its deterrence capabilities closer with the West while trying simultaneously to reset its relationship with Beijing. 'Strategic Equilibrium', a term introduced by Australian Foreign Minister Penny Wong is defined as multiple lines of effort applied by Canberra to secure its vision of a regional order—where countries have agency in terms of choices in their strategic partnerships, build diplomatic and economic capacity to manage and maintain balance of power but also a vision underwritten by 'military capability'. The recent buzz around Japan joining the trilateral security pact AUKUS as a defence technology partner in Pillar 2 created momentum on the conversation of building deterrence capabilities in the region through collective action. Meanwhile a month earlier, Australia had hosted Chinese Foreign Minister Wang Yi after a gap of seven years attempting a cautious thaw with Beijing—aimed at both stabilising bilateral ties but also managing Chinese inroads into the Pacific, a strategic neighbourhood now seeing intense geopolitical rivalry. This Brief argues that managing expectations and perceptions while striving for strategic equilibrium has been key to Canberra's policy priorities.

Australia’s quest for ‘strategic equilibrium’<sup>1</sup> in the Indo-Pacific has seen it focusing on building deterrence capabilities by pursuing closer defence ties with the West while trying simultaneously to reset its relationship with Beijing. ‘Strategic equilibrium’, a term introduced by Australian Foreign Minister Penny Wong, is defined as multiple lines of effort to secure Australia’s vision of a regional order—where countries have agency in terms of choices in their strategic partnerships, build diplomatic and economic capacity to manage and maintain balance of power underwritten by ‘military capability’.<sup>2</sup> The centrality of this concept in Canberra’s foreign policy has been visible both in words and action.

It wasn’t surprising then that the buzz around the Australia–United Kingdom–United States (AUKUS) trilateral security agreement signed in 2021, picked up during Japanese PM Fumio Kishida’s visit to Washington DC in early April 2024.<sup>3</sup> The security pact’s Pillar 1 is designed to deliver nuclear-powered attack submarines to Australia. Reports noted that Japan could be included in Pillar 2, focused on delivering advanced capabilities and sharing technologies across a range of areas including quantum computing, undersea, hypersonic and cyber technology as well as artificial intelligence.<sup>4</sup> Media reports suggest that the “group sees potential benefits in tapping Japan’s strong industrial and technological capacity at a time when Tokyo has identified boosting defense production as a key national security pillar”.<sup>5</sup> While no official announcement on ‘JAUkus’ came during Kishida’s visit, the reportage generated enough interest and momentum about future developments.

AUKUS is often described as a cornerstone arrangement in the Indo-Pacific and central to ‘keep the peace’ in the words of Foreign Minister Wong.<sup>6</sup> During the Biden–Kishida summit, the announcement of a new partnership between Australia, the United States and Japan on co-operation on a networked air defence architecture to counter growing air and missile threats drew attention.<sup>7</sup> Adding to the buzz around the AUKUS and related developments was the news that the US was scaling back export control requirements for Australia and the UK—reducing licensing burdens

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<sup>1</sup> [“Transcript of National Press Club Address: Australian Interests in a Regional Balance of Power”](#), Minister for Foreign Affairs, Senator the Hon Penny Wong, 17 April 2023.

<sup>2</sup> Ibid.

<sup>3</sup> Bryant Harris, [“AUKUS Allies Float Path for Japan to Join Tech Sharing Pact”](#), *Defense News*, 11 April 2024.

<sup>4</sup> William James and David Brunnstrom, [“US, UK, Australia Consider Japan's Cooperation in AUKUS Security Pact”](#), *Reuters*, 9 April 2024.

<sup>5</sup> Gabriel Dominguez, [“Benefits and Risks: AUKUS Looks to Take Gamble on Japan”](#), *Japan Times*, 17 April 2024.

<sup>6</sup> [“Australia Seeks AUKUS Submarine Deal to ‘Better Ensure a Strategic Equilibrium’, Foreign Minister Says”](#), *South China Morning Post*, 14 March 2023.

<sup>7</sup> Richard Wood, [“Australia, US and Japan Strike Missile Agreement to Deter China”](#), *9news.com.au*, 11 April 2024.

on trade by up to 80 per cent, which some reports value at US\$ 2bn (A\$ 3.11bn) for dual-use goods.<sup>8</sup> Experts note that the new licence-free environment would support industry, research and lower technology transfer barriers and costs of trade.<sup>9</sup>

Those arguing for an AUKUS public diplomacy arm<sup>10</sup> would be happy with the current momentum, since the domestic support for the deal in Australia has seen much polarisation.<sup>11</sup> The furore over the US Navy ordering just one Virginia-class submarine because of the Biden administration’s defence budget cuts in fiscal 2025, as compared to the target of more than two forecasted to meet US and Australia needs had reignited debates on US ability to fulfil commitments on delivery of the submarine fleet.<sup>12</sup> Thus the impetus and focus on Pillar 2 as the real strength of AUKUS and technology partnerships has been coordinated well between Washington and Canberra publicly— highlighting the conversation with Japan and before it the interest from New Zealand<sup>13</sup> on possible collaboration.<sup>14</sup>

## Striving for ‘Strategic Equilibrium’

Perceptions matter and clearly these lines of effort are designed to convey how Australia is going about achieving its interests in managing strategic equilibrium in the Indo-Pacific. The concept while not explicitly calling out China is clearly designed to manage the China relationship.<sup>15</sup> The core idea being that ‘it cannot only be left to the US’ and thus efforts like AUKUS, Wong has often emphasised will ‘help better ensure a strategic equilibrium’.<sup>16</sup> Wong’s colleague, Australia’s Deputy Prime Minister and Minister for Defence Richard Marles has also argued that ‘Australia sees these investments as a necessary and prudent response to the military build-up’ in the Indo-Pacific and would make Australia a ‘more valuable and potent

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<sup>8</sup> [“US to Reduce Licensing by 80% for UK, Australia to Boost AUKUS”](#), *Reuters*, 18 April 2024.

<sup>9</sup> [“AUKUS Partners Relax More Export Licensing, Trade and Tech Transfer Regulations”](#), *www.psnews.com.au*, 23 April 2024.

<sup>10</sup> Euan Graham, John Hemmings and James Rogers, [“Joining the Battle for the Narrative: The Case for AUKUS Public Diplomacy”](#), *aspistrategist.org.au*, 20 March 2024.

<sup>11</sup> William Leben, [“AUKUS Debate Shows Nation Facing a Defence Crossroads”](#), *reporter.anu.edu.au*, 12 April 2023.

<sup>12</sup> [“Australia Confident about Receiving Nuclear Submarines Despite U.S. Funding Cut”](#), *www.nbcnews.com*, 13 March 2024.

<sup>13</sup> Tim Fish, [“New Zealand in AUKUS ‘No Guarantee,’ But Discussions Active: Defense Minister”](#), *www.breakingdefense.com* 18 March 2024.

<sup>14</sup> Lewis Jackson and Sakura Murakami, [“Australia Downplays Japan's Role in AUKUS, Says No Plans to Add Member to Defence Pact”](#), *Reuters*, 9 April 2024.

<sup>15</sup> [“Transcript of National Press Club Address: Australian Interests in a Regional Balance of Power”](#), Minister for Foreign Affairs, Senator the Hon Penny Wong, no. 1.

<sup>16</sup> [“Australia Seeks AUKUS Submarine Deal to ‘Better Ensure a Strategic Equilibrium’, Foreign Minister Says”](#), no. 6.

partner’ in the region as nations seek more reassurance from China on its assertive behaviour.<sup>17</sup>

Simultaneously, Canberra has tried to keep channels of dialogue open with China, with the Albanese government trying hard to reset its relationship with Beijing. For, just a month before AUKUS-related developments in Washington, Chinese Foreign Minister Wang Yi was welcomed by his counterpart Wong, after a gap of seven years for the Australia–China Strategic Dialogue. This was the first sign of a thaw in relations after the tumultuous turn of ties since 2017.<sup>18</sup> The visit followed the meeting in November 2023 between Prime Minister Anthony Albanese and President Xi Jinping, where Xi spoke of “embracing a new 50 years in China–Australia relations”.<sup>19</sup>

Reports note that plans for current Chinese Premier Li Qiang to visit Australia were “on track”, and the visit is expected in mid-2024.<sup>20</sup> Wang also briefly met Prime Minister Albanese before travelling to Sydney for meetings with Australia’s business community. China’s Ambassador, Xiao Qian, discussing the return of warmth to the ties told media in January 2024 that “we will move on from stabilisation through improvement, onward to further consolidation and even development.”<sup>21</sup>

While Beijing, as Wang Yi highlighted, expects “no hesitation, no yawing and no backward steps” in the relationship,<sup>22</sup> Wong’s statement was more cautious in its reading of the visit. Wong said after the meeting that “a stable relationship between Australia and China doesn’t just happen, it needs ongoing work (...) and this was the latest meeting in that process.”<sup>23</sup> Wong went on to say that dialogue enabled both sides “to manage our differences” and both sides understood that “it does not eliminate them”.<sup>24</sup> She further emphasised that “Australia will always be Australia and China will always be China.”<sup>25</sup>

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<sup>17</sup> [“Transcript of the Speech of The Hon Richard Marles MP, Deputy Prime Minister, Minister for Defence, Australia, at the National Defence College”](#), New Delhi, India, 22 June 2022.

<sup>18</sup> [“Transcript of Press Conference at Parliament House, Canberra by Australian Foreign Minister Penny Wong on the Issue of Australia-China Foreign and Strategic Dialogue”](#), 20 March 2024.

<sup>19</sup> Phillip Coorey, [“China Hails ‘New Starting Point’, Albanese, Xi Stabilise Relations”](#), *Financial Review*, 6 November 2023.

<sup>20</sup> Ben Westcott, [“Chinese Premier Li Qiang on Track for Australia Visit, Foreign Minister Penny Wong Says”](#), *BNN Bloomberg*, 19 March 2024.

<sup>21</sup> [“Remarks by Chinese Ambassador to Indonesia Xiao Qian at the New Year Reception of Chinese and Australian Media”](#), Ministry of Foreign Affairs of the People’s Republic of China, 18 January 2024.

<sup>22</sup> [“China and Australia Hold the Seventh Foreign and Strategic Dialogue”](#), Embassy of the People’s Republic of China in the Republic of India, 20 March 2024.

<sup>23</sup> [“Transcript of Press Conference at Parliament House, Canberra by Australian Foreign Minister Penny Wong on the Issue of Australia-China Foreign and Strategic Dialogue”](#), no. 18.

<sup>24</sup> *Ibid.*

<sup>25</sup> *Ibid.*

## A Cautious Thaw

Australian analysts have pointed that there is a perception gap in both sides as to what the thaw in ties translates to. *The Saturday Paper* carried an analysis quoting former Australian Ambassador and senior Department of Foreign Affairs and Trade official Kevin Magee arguing that “China expects more than stabilisation”.<sup>26</sup> According to him, stabilisation for “China is a step, and then the next step is closer relations and what the Chinese see as a less hostile approach to China.” For the Australian government, on the other hand, “stabilisation is basically an end point”.<sup>27</sup> While it is imperative for the Australian government to stabilise relations given China’s position as Australia’s largest two-way trading partner, the current government is also cautious of not getting ahead of public opinion which has been polarised on China.<sup>28</sup>

Ahead of the meeting, both sides had locked in work to build the momentum to the visit. Crippling trade restrictions imposed by China had cost the economy an estimated 20 billion Australian dollars (US\$ 13 billion), when duties were imposed on key exports such as wine, barley and beef in 2020 after Canberra legislated against overseas influence, barred Huawei from 5G contracts and called for a probe into the origins of the COVID-19 pandemic.<sup>29</sup> *The Guardian* had reported that “under last year’s ‘off-ramp’ deal, Australia suspended its complaint against China at the World Trade Organization in return for China agreeing to fast-track a review of the tariffs by the end of March 2024.”<sup>30</sup>

Beijing paid up to its part of the deal by taking off punitive restrictions on export of wine even as Australian officials accepted recommendations from the Anti-Dumping Commission to discontinue anti-dumping measures against wind turbines from China.<sup>31</sup> Even though the current government seems to have created the space for the reset of ties by toning down public criticism of China as pointed out by commentators,<sup>32</sup> it did raise the domestically sensitive case of detained Australian Yang Hengjun, who was found guilty of espionage in a closed trial and sentenced to death with a two-year reprieve in February in China. Wong

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<sup>26</sup> Elena Collinson, “[What China Wants from Australia’s Stabilised Relationship](#)”, *The Saturday Paper*, 20 March 2024.

<sup>27</sup> Ibid.

<sup>28</sup> Ibid.

<sup>29</sup> Keiran Smith, “[Australia Gets Its Most Senior Chinese Leadership Visit Since 2017](#)”, *The Diplomat*, 21 March 2024.

<sup>30</sup> Josh Butler, “[China Scraps Tariffs on Australian Wine](#)”, *The Guardian*, 28 March 2024.

<sup>31</sup> Andrew Tillett and Michael Smith, “[China Has Wins on Darwin Port, Wind Towers Ahead of Albanese Visit](#)”, *Financial Review*, 20 October 2023.

<sup>32</sup> Ben Scott, “[Australia’s China Policy More Effective with Disciplined Messaging](#)”, *Nikkei Asia*, 2 April 2024.

said Australians were shocked by the sentence and the government would not “walk away from our advocacy for Doctor Yang”.<sup>33</sup>

Meanwhile, Wang Yi’s visit also saw the domestic debate within Australia heating up with media headlines playing up Wang Yi’s meeting with Former Australian PM Paul Keating, a veteran centre-left leader who has been very critical of his own party in government for stirring trouble with Beijing.<sup>34</sup> Keating, whose push for deeper ties with Beijing was a central facet of his 1991 to 1996 term, has hailed Australia–China ties as historic at a time when the country’s conservative opposition, called the meeting a “calculated humiliation”.<sup>35</sup>

Adding to the polarising debate was the revelation by the head of Australia's domestic intelligence organisation that a foreign spy group dubbed the “A-team” had cultivated and recruited a now-former politician.<sup>36</sup> Following the unexpected revelations, Alex Turnbull, the son of former Prime Minister Malcolm Turnbull, said in a presser that he had been approached about an infrastructure project by a group of suspected Chinese agents in around 2017 when his father was in government. He said the group had links to a former New South Wales state Labour Party parliamentarian without naming the person.<sup>37</sup> In this environment, while both sides have tried to paint the Wang Yi visit in a positive light, the simmering tensions have been obscured for the time being rather than resolved.

## China’s Discourse Politics on AUKUS and the Pacific

Given the tightrope walk by Canberra, it did not surprise many when Beijing fired shots stoking ‘AUKUS’ concerns in Australia’s strategic neighbourhood in the Pacific. Managing expectations in this strategic geography weighs heavily on Canberra’s mind. On expected lines, during his recent visit to Papua New Guinea (PNG), Wang Yi lashed out at “western powers in the AUKUS security pact of provoking division and risking nuclear proliferation in the South Pacific”.<sup>38</sup> The news of possible cooperation with Japan on military technology was described as an attempt to

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<sup>33</sup> Keiran Smith, [“Australia Gets Its Most Senior Chinese Leadership Visit Since 2017”](#), no. 29.

<sup>34</sup> Kirsty Needham and Liz Lee, [“China’s Wang Yi has ‘Big Picture’ Talks with Former Australia PM Keating”](#), *Reuters*, 21 March 2024.

<sup>35</sup> [“China’s Top Diplomat Meets Australian ex-PM for Controversial Sit-down”](#), *The Hindu*, 22 March 2024.

<sup>36</sup> Kirsty Needham, [“Australian Politician ‘Sold Out’ Country to Foreign Spy Ring, Says Intelligence Chief”](#), *Reuters*, 28 February 2024.

<sup>37</sup> *Ibid.*

<sup>38</sup> [“‘South Pacific Shouldn’t Become Arena for Great Power Competition’: China Attacks AUKUS”](#), *The Times of India*, 21 April 2024.

“stoking confrontation between blocs and provoking division”, calling it “inconsistent with the urgent needs of the island countries”.<sup>39</sup>

It is reported that PM Albanese arrived hot on the trails of Wang Yi to inaugurate the 96 kilometer historical Kokoda track with PNG PM James Marape.<sup>40</sup> It was said to be the site of fierce fighting during World War II when Australian soldiers, helped by local villagers repelled the Japanese advance on Port Moresby thus sealing the bilateral relationship.<sup>41</sup> Albanese’s efforts have been part of his administration’s push to prioritise bilateral ties with the island nations, not only through high-profile diplomatic visits but also by stabilising relations with China and placing climate change back on the agenda. Canberra has not been immune to the mixed reactions from the Pacific Islands on the AUKUS deal.<sup>42</sup>

In fact, when the US was being criticised for congressional budget delays over the renewal of Compacts of Free Association (COFA) funding for the Federated States of Micronesia (FSM), Palau, and the Marshall Islands (RMI), the Ambassadors of Australia and New Zealand to the United States had jointly lobbied the US Congress in support of the PICs.<sup>43</sup> They backed regional leaders in their efforts to make the Congress aware of the strategic significance of the states and funding delays playing directly into Chinese ambitions for the region.

Beijing’s signing of the security pact with the Solomon Islands in 2022 set off alarm bells in the US and Australia about the scale of Chinese presence and influence in the region. Today, Pacific Island countries find themselves leveraging the strategic jostling between China and their traditional partners—Australia, New Zealand, United States and France—where development assistance is increasingly seen as a proxy for great power competition.

With uncertainty rising with flip flops over diplomatic recognition of Taiwan, competing security assistance pacts, and new development assistance initiatives, winning the perception game has become key in the region. Currently batting for AUKUS in the US as Australia’s Ambassador is Kevin Rudd, who had famously said during his term as PM in 2022 “don’t ‘lecture’ the Pacific islands on China”. Instead, he urged the West to offer “different, better development options”.<sup>44</sup> The Albanese government seems to be working hard on marshalling its resources and those of its partners in the region to do just that.

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<sup>39</sup> Ibid.

<sup>40</sup> [“Marape and Albanese Begin Historic Walk at Kokoda Station”](#), NBC, 23 April 2024.

<sup>41</sup> Ibid.

<sup>42</sup> Dechlan Brennan, [“Pacific Responses to AUKUS a Mix of Unease and Understanding”](#), *The Diplomat*, 18 April 2023.

<sup>43</sup> [“Australia and New Zealand COFA Letter to Congressional Leaders”](#), The National Government of the Federated States of Micronesia, 22 February 2024.

<sup>44</sup> [“Australia’s Rudd: Don’t ‘Lecture’ Pacific Islands on China”](#), *Nikkei Asia*, 27 May 2022.

## Internal Debates Continue to Simmer

However, despite attempts to manage perceptions and expectations, internal debates continue to simmer in the region around assurances on the AUKUS. For instance, a recent statement by US Deputy Secretary of State Kurt Campbell who made ‘a rare linkage’ between Taiwan and AUKUS at a Washington think tank event caught attention in the press.<sup>45</sup> He was arguing that new submarine capabilities would enhance peace and stability, including in the strait that separates China and Taiwan.<sup>46</sup> This statement drew reactions<sup>47</sup> since Defence Minister Marles had in his defence of AUKUS previously stated that Australia “absolutely” did not promise to support the US in any military conflict over Taiwan in return for a deal to acquire US nuclear-powered attack submarines.<sup>48</sup> The Albanese administration had also given assurances that the submarines will be thoroughly under Australia’s sovereign control when the debates sparked last year around surrender of sovereignty.<sup>49</sup>

However, what the coverage didn’t highlight was the assertion by Campbell that for the US, AUKUS “is part of a larger framework of things”, including actions like “taking the QUAD to the leader level and institutionalizing a number of arrangements among the four maritime democracies to advance our interests in Southeast Asia and the Pacific”.<sup>50</sup> In fact, perhaps pre-empting in hindsight questions on the relevance of Quad, with Japan now being considered a technology partner for AUKUS, Campbell’s urging of the need for collective action with a range of partners could be considered reassuring. He summed up the like-mindedness of Indo-Pacific powers well when he said

leading nations right now in the Indo-Pacific, including Japan, Australia, South Korea, I would add India to that framework, increasingly operating more closely, greater capabilities more generally. I think that balance, that additional capacity will help strengthen deterrence more general.<sup>51</sup>

Perceptions matter when nations are jockeying for leverage and managing balance of power. The messaging on reassurance matters doubly when the challenge is managing China.

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<sup>45</sup> [“AUKUS: Securing the Indo-Pacific, A Conversation with Kurt Campbell, Richard Fontaine and Kurt Campbell”](#), Center for a New American Security, 3 April 2024.

<sup>46</sup> Ibid.

<sup>47</sup> [“Senior U.S. Diplomat Links AUKUS Submarine Pact to Taiwan”](#), CNBC, 3 April 2024.

<sup>48</sup> [“Australia Did Not Vow to Help U.S. Defend Taiwan in Submarine Deal, Minister Says”](#), Reuters, 19 March 2023.

<sup>49</sup> Katharine Murphy and Daniel Hurst, [“Australia Will Control Nuclear Submarines in Any Conflict with AUKUS Partners, Albanese Says”](#), *The Guardian*, 22 February 2023.

<sup>50</sup> [“AUKUS: Securing the Indo-Pacific, A Conversation with Kurt Campbell, Richard Fontaine and Kurt Campbell”](#), no. 45.

<sup>51</sup> Ibid.

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