

August 2025

Foundations Papers: Integrating Australian strategic policy and development.

Development
Intelligence
Lab.

Development x **Australia's National Interests.**

August 2025



Foreword

Across successive governments, one fact has remained clear: development in the Indo-Pacific is firmly in Australia's national interest.

Yet "national interest" is a contested phrase – a mirror that reflects back what each observer wishes to see.

For some, it means outpacing rivals in strategic competition; for others, ensuring open markets, resilient states, human rights, or the integrity of the multilateral order. Too often, though, the debate stops there – reducing development cooperation to a contest for influence, or treating it as an afterthought on the margins of "serious" statecraft.

That is an impoverished view. National interests are not trophies to be claimed, nor is development assistance a charitable gift. Development cooperation is the patient, often difficult work of building more resilient societies and more capable states. When deployed with intelligence and intent, it is one of the most targeted and catalytic tools in Australia's diplomatic arsenal.

A more mature narrative of 'aid in the national interest' rejects the false choice between principle and pragmatism. It recognises that security, prosperity, and stability are interwoven – and that Australia advances its interests not through fleeting advantage, but by being a steady, high-impact, trusted partner in a contested region. This is especially true in Australia's near region, where so many of our closest partners are working to overcome challenges to their development.

This paper, and the three additional papers connected to it, set out the evidence for that narrative. They examine where development and strategic policy intersect, and explore the opportunities and limits of how cooperation advances Australia's national interests in multilateralism, regional growth and lasting peace.

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DEVELOPMENT COOPERATION IN THE MODERN ERA

A STRATEGIC INVESTMENT IN AUSTRALIA'S NATIONAL INTEREST

THE CHALLENGE: DEVELOPMENT ISSUES ARE THREAT MULTIPLIERS TO AUSTRALIA'S NATIONAL INTERESTS

When countries in our region face economic instability, health crises, natural disasters, or governance failures, Australia experiences increased risks of disrupted trade, security threats, refugee flows and reduced influence.

THE SOLUTION: DEVELOPMENT COOPERATION - AUSTRALIA'S PREVENTATIVE STATECRAFT

Like preventative healthcare, development cooperation addresses root causes before they become crises. Strategic investments in partner countries build resilience, create opportunities and strengthen relationships.

INVESTING IN DEVELOPMENT ENABLES STRATEGIC IMPACT:



Economic openness and resilience

Trade integration:

Building stronger regional economies and new markets for Australian businesses.

Education:

Developing human capital, supporting workforce mobility, and building resilience to disinformation and disruption.

Infrastructure:

Creating reliable transport, energy, and digital systems that support regional connectivity and security.



Regional stability and security

Conflict prevention:

Addressing root causes of armed conflict before they become crises.

Climate resilience:

Supporting recovery from climate disasters and protecting regional food and water security.

Health:

Strengthening health security and pandemic preparedness to protect lives and stabilise economies.



Sovereignty and trusted partnerships

Governance:

Building stronger democratic institutions, reducing corruption, and improving fiscal management.

Gender and disability equity:

Promoting inclusive growth and reducing inequality for more productive, stable societies.

Effective global institutions:

Defending sovereignty and strengthening governance frameworks through global and regional institutions.

OUTCOME: A STABLE, PROSPEROUS REGION WHERE AUSTRALIA IS THE PARTNER OF CHOICE

These risks could impact Australia’s near region within the next 5 years:

RISK	ECONOMIC DISRUPTION	SECURITY THREATS	COERCION AND DEPENDENCY	INSTITUTIONAL BREAKDOWN
Possible scenario:	Debt distress disrupts Australia's trade links and constrains growing Southeast Asian markets.	Climate disasters and pandemics disrupt supply chains and create refugee pressures on Australia.	Third-country financial coercion undermines Australian investment and partnerships.	Digital authoritarianism spreads, regional frameworks collapse, Australia loses influence.
Development cooperation mitigates by:	<ul style="list-style-type: none">• Strengthening trade integration (could grow Australian GDP by 6.3% by 2040).• Strengthening education (every extra year of schooling raises lifetime earnings by ~9%, creating stronger consumer markets).• Advancing gender equality (closing gender gaps could add USD\$12 trillion to global GDP).	<ul style="list-style-type: none">• Increasing disaster preparedness (investments deliver large cost-benefit returns, up to 14:1, protecting supply chains).• Strengthening health security (in low and middle income countries, improved health led to ~24% of full-income growth 2000-2011).• Supporting conflict prevention (violence costs the global economy ~USD\$19 trillion annually).	<ul style="list-style-type: none">• Leveraging multilateral influence (5.7% ADB capital gives Australia direct stake in regional development).• Creating partnership alternatives (Coral Sea Cable demonstrates trusted cooperation over coercion).• Supporting domestic revenue capacity (technical assistance is associated with measurable, sustained gains in tax mobilisation).	<ul style="list-style-type: none">• Enabling regional cooperation (Australia’s PIF support enables Forum Fisheries Agency to manage shared resources).• Leading digital governance (Australia advances AI and data standard-setting through OECD/GPAI and regional partnerships).• Supporting democratic institutions (helps to bolster civic resilience, maintaining Australia's influence in regional norms).
Desirable result:	Australia’s trade relationships expand through regional economic stability.	Australia’s interests are protected by robust regional systems that withstand shocks.	Australia is chosen as the preferred partner over authoritarian alternatives.	Australia benefits from strong democratic institutions and trusted digital governance in the region.

INSTABILITY IN THE REGION MULTIPLIES THREATS TO AUSTRALIA’S INTERESTS
BUT SMART DEVELOPMENT INVESTMENTS TODAY PREVENT FAR MORE COSTLY CRISES TOMORROW

STRATEGIC DEVELOPMENT COOPERATION IS NOT CHARITY—IT’S NATIONAL INTEREST IN ACTION

Integrating Australian strategic policy and development.

Key messages

- Australia's enduring national interests require prosperous economic partners with whom to connect, and capable states with whom to maintain regional stability.
- Development – the long-term process of peoples and countries becoming more prosperous and states more capable – underpins these features.
- Development cooperation – the application of a state's financial and technical resources to support the development of another state – contributes to development through several pathways and is therefore central to advancing Australia's national interest.

One | Australia's statecraft and national interests.

Australia's strategic circumstances are unique: being a medium-sized, liberal democratic, highly trade dependent nation, with a relatively small population, occupying a vast continental landmass.¹ Australia is both advantaged and challenged by its geographic distance from key economic and security partners.²

These unique circumstances shape Australia's enduring national interests, which include:

- protecting economic connections with the world,
- upholding and evolving the multilateral system,
- maintaining a favourable regional strategic balance, and
- contributing to the collective security of the Indo-Pacific.³

Development – the process of peoples and countries becoming more prosperous and states more capable – is essential in pursuing these national interests. As Foreign Minister Penny Wong has stated, 'Development assistance is central to statecraft. It helps our regional partners become more economically resilient, develop critical infrastructure and provide their own security so they have less need to call on others.'⁴ Indeed, this thinking is long-standing. As former Foreign Affairs Minister Downer articulated, by addressing regional development challenges, Australia both "advances our neighbours' and its own national interests by promoting a secure and prosperous region."⁵

This paper sets out how Australia's development cooperation – both through Official Development Assistance (ODA) and non-ODA cooperation – is key to pursuing four enduring national interests: regional prosperity and economic openness, stability and peace, sovereignty and the absence of coercion, and the multilateral system. Program examples are in an Annex.

Two | Regional prosperity and economic openness.

How is development relevant to this national interest?

As a trading nation, Australia's economic growth is intimately linked to that of its neighbours. Given 22 of 26 of its neighbours are developing countries, Australia stands to gain by supporting their economic development. Australia's international development policy, foreign policy, and trade ambitions are mutually reinforcing,⁶ making development cooperation central to its national interest.

How development cooperation supports this interest:

- **By enabling policy conditions for growth.** Technical assistance (TA) programs can help build the capacity of partner governments in economic governance, fiscal and monetary policy, enabling growth. A 10 percent increase in TA has been found to increase tax revenues in low-income countries by 1.2 percent, a significant number at economy-wide scale.⁷
- **By building the human capital that enables growth.** Health and education gains are especially powerful. Reductions in mortality can contribute an estimated 11-24 percent increase in economic growth in low- and middle-income countries,⁸ while every additional year of learning a child receives leads to a 10 percent increase in annual earnings.⁹
- **By helping countries trade on global and regional markets, providing direct incomes to the poor.** Specific investments can target market access and readiness; labour mobility schemes can be especially effective mechanisms.

- **By supporting key sectors like agriculture.** Productivity improvements in sectors of significance to a given country can both directly increase incomes and unlock labour.¹⁰

Narrative: Economic growth is enabled by a wide range of development cooperation activities, and is also a foundation for several other strategic outcomes and national interests outlined in this paper. Of course, unlocking growth ultimately depends on the political economy of a given setting, as well as partner governments' appetite for reform. With this in mind, various forms of assistance can be powerful.¹¹

TA can help build the economic governance, fiscal and monetary capacities of developing countries, which are key to enabling growth. It was critical in establishing Timor-Leste's financial institutions,¹² improving banking sector supervision in the Philippines,¹³ and supporting the introduction of inflation targeting by Indonesia's monetary authorities.¹⁴ Aid for Trade (AfT), a World Trade Organisation (WTO) initiative, has had a positive impact on the trade performance of recipient countries, including export value and diversification.¹⁵

Aid can improve health and education outcomes which contribute significantly to economic prosperity in partner countries.¹⁶ In general, health improvements drive large growth increases, with some specific outcomes particularly valuable: for instance, reductions in adult mortality and suppression of malaria.¹⁷ Increased quality and access to education has additionally a strong positive effect on economic growth.¹⁸

Labour mobility programs deliver individual gains and broader economic benefits. They allow a direct transfer of cash to workers and their households. For example, in Pacific schemes, workers have historically earned 3–5.6 times their earnings at home, and remit large amounts of this increased wage.¹⁹ At a macro level, they also facilitate knowledge exchange on key sectors like agriculture,²⁰ and deliver large (and presently still underutilised) benefits to the Australian economy.²¹ However, there are flow-on effects that need to be managed, notably social disruption and brain drain issues.²²

Three | Stability and peace.

How is development relevant to this national interest?

Australia has thrived in a stable and peaceful regional environment, and it is in Australia's national interest for these conditions to continue. This is also an interest Australia shares with its neighbours and depends on maintaining a favourable strategic balance in the region.²³ Stability is not just about avoiding major wars. Internal regional conflicts (that can inhibit development even if they do not turn violent), non-traditional security threats such as pandemics, climate change and other environmental challenges, all also pose risks to regional stability.

How development cooperation supports this interest:

- **By supporting effective states.** Economic development is a strong predictor of state stability and effectiveness. Capable states are better positioned to deter aggression and manage internal conflict.²⁴
- **By supporting peacebuilding.** Development programs can directly support peacebuilding and civic space. By addressing underlying causes of conflict and supporting community resilience, development programs help prevent the escalation of violence and respond more effectively to it.
- **By mitigating non-traditional security threats.** Development cooperation helps regional countries address stability risks posed by climate change and pandemics. For example, climate change poses economic and security challenges that are compounding and cumulative, and

Australia's neighbours are exceptionally exposed.²⁵ Extreme weather events already cost US\$143 billion per year.²⁶ And in terms of public health risks, in any given year, there is a 1 percent probability of an influenza-type pandemic that could cause 6 million or more deaths.²⁷

Narrative: Development cooperation plays a critical role in maintaining stability and peace in Australia's region by strengthening states, supporting peacebuilding, and addressing non-traditional security threats like climate change and pandemics.

If Australia wants a balance of power in the Indo-Pacific, where any potential aggressor faces high military costs, it is critical for it to support the economic development of its neighbours. Only capable and well-functioning states can defend themselves effectively, against any potential aggressor, and play a constructive balancing role.

While development cooperation that directly promotes democracy has a mixed track record, supporting open political spaces in general can deliver strategic dividends. The sharp decline in interstate war (indeed of all forms of war, however counted)²⁸ since 1945 is in part due to the so-called the democratic peace theory. This is a very empirically robust finding: democracies do not fight each other.²⁹ This general decline in war matters because global stability enables regional stability.

Poorer countries face a higher risk of civil war.³⁰ State weakness, closely related to country-level poverty, also makes civil war more likely.³¹ Further still, forms of political violence less than outright civil wars – for instance, military coups – correlate with underdevelopment.³² So, a highly effective use of Australian assistance to counter instability and violence is promoting economic prosperity and targeting basic human and national development outcomes.

Still, the process of development is disruptive. Regimes in transition are frequently violent: there is “murder in the middle”.³³ Political settlements under stress and in flux often produce conflict, and poorly designed and delivered aid can worsen political instability.³⁴ Various forms of aid in conflict zones can increase violence, rather than dampen it.³⁵ Australian development cooperation must therefore continue to be carefully designed to avoid these perverse effects,³⁶ and listen closely to local experiences and needs.³⁷ Evidence shows peacebuilding initiatives can help to prevent and resolve violence.³⁸

Four | Regional sovereignty and the absence of coercion.

How is development relevant to this national interest?

The regional status quo has been good for Australia, but it is clearly changing. It is in its interests that, as any shifts in the balance of power occur, states maintain their sovereign rights and feel empowered to exercise them in both bilateral and multilateral settings.³⁹ Partners' economic development, sovereignty, and the regional status quo are tightly interlinked: “regional countries are generally more worried about Chinese economic influence than Chinese military threats.”⁴⁰

How development cooperation supports this interest:

- **By providing alternatives.** Australia's development investments in strategic sectors like infrastructure reduce the dependency of neighbouring countries on any single partner. The Coral Sea Cable, for example, has helped regional countries diversify their economic relationships and mitigate reliance on any one partner for critical infrastructure.⁴¹
- **By building state capacity.** Programs that strengthen law enforcement, combat corruption, and build governance capacity help partner governments exercise their sovereignty.

Narrative: Australia's development cooperation provides its neighbours with the tools and resources they need to maintain their sovereignty and resist coercion.

Countries must make big investments in potentially sensitive sectors, for example in telecommunications, if they are to successfully develop. Boosting mobile coverage could, alone, add US\$3 billion to GDP in the region by 2040.⁴² At the moment, Chinese investment – both public and private – dominates these sectors.⁴³ By offering partners a diversified range of development cooperation options, Australia can mitigate the risk of malign influence or coercion⁴⁴ by helping to prevent the build-up of leverage.

Technical assistance can help partner countries attract a wider range of financing and design more resilient governance arrangements. Other assistance, often from international organisations, can also directly build the planning and operational capacity states need to uphold their sovereignty, for example, in maritime and border security.⁴⁵

Nurturing civil space and effective governance in general can boost states' resilience to coercion. "Countries with less robust governance systems, and in which leaders are not held to account by civil society, are more hospitable environments for influence by external powers. Elite capture and enmeshment in political patronage systems are all critical enablers of external meddling."⁴⁶

Ill-designed development cooperation can have counterproductive effects for partners' sovereignty and governance outcomes. Especially when it is used to obtain concessions from recipient leaders for geopolitical reasons, aid can entrench incumbents.⁴⁷ This can, however, be managed. Non-fungible forms of aid, for example, which provide a service or program that does not free up recipient government finances for other (mis)uses, can avoid this risk.⁴⁸

Five | The multilateral system.

How is development relevant to this national interest?

As a middle power, Australia has a vested interest in upholding the multilateral system. Yet the existing order is under serious challenge. Now more than ever, global institutions and norms are in flux; they require constant maintenance to remain relevant and useful. This interest is global, though it is especially important that "security challenges in the Pacific continue to be addressed through regional, Pacific-led approaches."⁴⁹

How development cooperation supports this interest:

- **By supporting international and regional institutions.** Australian aid strengthens regional and global institutions, like the Pacific Islands Forum and international courts. This is straightforward: institutions do not function without engagement and investment.
- **By supporting partners in international and regional fora.** Many of Australia's neighbours are small, so diplomatic and organisational support for their efforts on rule of law initiatives, such as anti-trafficking programs and the UN Convention on the Law of the Sea (UNCLOS), helps reinforce international law.

Narrative: Development cooperation is a key tool for reinforcing and updating the multilateral system, helping regional partners assert their agency in international fora and uphold specific rules essential to global stability. At a simple but crucial level, the multilateral system is built upon well-funded institutions. Australian support in both ODA and non-ODA forms for these institutions remains important.

Development cooperation in this area is also about capacity building and specific forms of specialist assistance. More developed partner states are more capable of fully exercising their own agency and sovereignty within international and regional fora: see, for example, the Philippines' successful South China Sea arbitration.⁵⁰ Development cooperation can directly address these capacity needs, which are just as important as police forces and patrol boats.⁵¹

The multilateral system is deeply interlinked with almost all other substantive challenges, as well as other Australian interests. International law and the regional response to climate change are inextricably linked, for example. Institutions and norms are also key to peace and stability: the decline in interstate war globally since 1945 has been bolstered by international institutions that protect territorial boundaries. This regime has "locked in place" territorial possession and reduced the threat of states "predating" one another.⁵²

Six | Conclusion.

As former British conservative Prime Minister David Cameron stated, it's "in our interests that we build a more prosperous world. If we don't, the problems of conflict, the problems of mass migration, the problems of uncontrollable climate change are problems that will visit us at home."⁵³

Australia's peace and prosperity are inseparable from those of its neighbours. Development cooperation is a vital, long-term tool for advancing our shared interests, from economic growth and stability to sovereignty and promoting a favourable multilateral system. Unlike other forms of statecraft, development cooperation depends on the agency and partnership of those it aims to support, requiring stability and reliability in partnership.

As such, Australia's interests will be best served by remaining a trusted, steady partner committed to the development of the region as a strategic imperative.

Annex | Selected program examples.

Regional prosperity and economic openness

- Building the human capital that enables growth.
 - The Fiji Health Sector Support Program.⁵⁴
 - The Vanuatu Skills Partnership.⁵⁵
 - The Pacific Regional Education Framework (PacREF).⁵⁶
- Helping set the policy conditions for growth.
 - Prospera: Australia-Indonesia Partnership for Economic Development.⁵⁷
 - Governance for Growth in Vanuatu.⁵⁸
 - The Nepal Subnational Governance Program (SNGP).⁵⁹
- Helping countries trade on global and regional markets.
 - The Pacific Horticultural & Agricultural Market Access Plus Program (PHAMA).⁶⁰
 - The Indonesia-Australia Comprehensive Economic Partnership Agreement Economic Cooperation Program (IA-CEPA ECP) (Katalis).⁶¹
 - The Australia-Tuvalu Falepili Union.⁶²
- Supporting key sectors like agriculture.
 - The Cambodia-Australia Partnership for Resilient Economic Development.⁶³
 - The Indonesia-Australia Red Meat and Cattle Partnership.⁶⁴

Stability and peace

- Supporting economic growth and effective states.
 - This is a second-order outcome, see the section above for relevant examples.
- Supporting peacebuilding initiatives and civic space to head off and redress conflicts.
 - Building Autonomous and Sustainable Institutions and Communities in the Bangsamoro (BASIC Bangsamoro), which supported post-conflict Mindanao.⁶⁵
 - The Civil Society Partnerships Fund.⁶⁶
- Mitigating the risks to stability posed by disruptions like pandemics and climate change.
 - Australian support for Gavi.⁶⁷
 - Non-ODA public health cooperation.⁶⁸
 - The Women's Resilience to Disasters (WRD) Programme.⁶⁹

Regional partners' sovereignty and the absence of coercion

- Offering our neighbours options.
 - The Coral Sea Cable.⁷⁰
 - The Australian Infrastructure Financing Facility for the Pacific (AIFFP).⁷¹
 - The Partnerships for Infrastructure initiative with ASEAN.⁷²
- Helping partners build the capabilities they require to exercise their sovereignty.
 - The Anti-Corruption for Peaceful & Inclusive Societies (ACPIS) Global Programme.⁷³
 - The Pacific Legal Policy Twinning Program.⁷⁴
 - The Pacific Islands Law Officers' Network (PILON).⁷⁵

The multilateral system

- Supporting international and regional institutions.
 - Australian support for the Pacific Islands Forum (PIF).⁷⁶
 - Australian funding for and participation in global institutions, from multilateral development banks to international courts.
- Supporting partners' agency in various fora.
 - Australian support for Vanuatu's ICJ advisory case on climate harm.⁷⁷
 - Pacific Maritime Boundaries and Resilient Boundaries for the Blue Pacific.⁷⁸
 - The ASEAN-Australia Counter Trafficking Program.⁷⁹

Want more analysis?

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