

AUKUS Pillar II and the Institutional Future of Indo-Pacific Security Cooperation

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Abstract

The Indo-Pacific has become the central arena of strategic competition, characterised by accelerating great-power rivalry, deep economic interdependence and institutional fragmentation. While the AUKUS partnership has largely been framed around the submarine-focused Pillar I, this article argues that Pillar II – dedicated to advanced defence technology cooperation – represents the pact's most meaningful strategic contribution in the decisive decade ahead. Drawing on the literature on unilateralism and institutional design, the article contends that Pillar II should be understood not solely as a mechanism for trilateral capability transfer, but as a potential platform for scalable Indo-Pacific cooperation among technologically capable middle powers. This approach avoids the political and structural pitfalls of formal AUKUS enlargement while enabling broader resilience in a region where traditional multilateral institutions remain necessary but insufficient.

Introduction

The Indo-Pacific has entered a period of profound transformation in which the design and function of cooperation are being renegotiated. Traditional ASEAN-centred multilateralism maintains symbolic centrality, yet its consensus-driven structure often limits substantive security action under conditions of geopolitical tension. As Mações notes, intensifying strategic competition is not only reshaping interstate behaviour but “changes the way actors plan and act, even the way they come to understand cooperation and conflict” (Mações, 2020). As large multilateral forums have struggled to produce concrete defence outcomes, governments have turned to smaller coalitions that can move faster on specific capability problems.

AUKUS illustrates this shift. Announced to the world in September 2021, AUKUS is a trilateral defence-technological agreement between Australia, the United Kingdom (UK), and the United States (US). AUKUS reflects converging concerns among its members about China's expanding military reach and the erosion of their relative technological advantages in the Indo-Pacific (Chan and Rublee, 2024). It is divided into two Pillars. Public and academic discourse have overwhelmingly centred on Pillar I, which will deliver nuclear-powered submarines to Australia in the 2040s (Rose, 2025). Yet, this timeline is misaligned with the expectation that regional military risk, particularly around Taiwan, may peak before the submarine capability materialises, while also exposing Australia to uncertainty surrounding US domestic political and industrial capacity (Bisley, 2024; Denmark and Edel, 2025). By contrast, Pillar II is working towards securing the members' advantage in emerging military technology. By collaborating and coordinating on Artificial intelligence (AI), quantum technologies, cyber capabilities, hypersonics and counter-hypersonics, as

well as autonomous systems (Mason and Guseinova, 2024), it is hoped that Pillar II will allow for the extensions of the West's military technology capabilities compared to China. Pillar II can generate practical military advantage within the present decade, the period of greatest strategic risk.

This article therefore shifts analytical focus away from submarine delivery schedules towards the institutional and strategic implications of AUKUS Pillar II. It examines how Pillar II fits within the broader evolution of Indo-Pacific cooperation, assesses competing policy pathways for its development, and identifies the institutional trajectory that maximises capability, political feasibility and regional stability.

Minilateralism and the Logic of Indo-Pacific Cooperation

Research on contemporary Indo-Pacific security institutions highlights a core tension between legitimacy and functionality (Heiduk and Wilkins, 2024). Multilateral venues preserve political inclusivity but struggle to respond quickly in an era of intensified geopolitical contestation. Instead of replacing multilateralism, states have increasingly adopted minilaterals. These are small, purpose-built coalitions focused on specific capability problems (Panda and Park, 2024).

Australia exemplifies this pattern. Faced with growing anxiety over China and diminishing confidence in traditional balancing models, the country has embraced multiple overlapping minilateral formats – including the Quad and AUKUS – to strengthen resilience without assuming the political costs of binding alliances (Bisley, 2024). The Quadrilateral Security Dialogue, or Quad, first established in 2007 but lasting only 12 months, was re-established in 2017 with the goal of enhancing security cooperation between its members – the US, Japan, Australian, and India. However, by 2021 this goal had been redefined anew and today, the Quad's work is almost entirely non-military (Bisley, 2024). It focuses on maintaining the rules-based international order and serves more as a diplomatic network between its members. The Quad demonstrates both the utility and limitations of minilateral breadth: despite its rhetorical alignment around maintaining a free and open Indo-Pacific, India's reluctance to endorse overt hard balancing against China (Heiduk and Wilkins, 2024) has channelled cooperation toward soft power initiatives and international public goods rather than operational defence integration (Bisley, 2024). AUKUS reverses this logic. Rather than maximising participation, it privileges depth, especially through Pillar II. It therefore represents not an alliance or a substitute for multilateral institutions, but a distinctive form of technological minilateralism aimed at strengthening industrial-military capacity under compressed strategic timeframes (Chan and Rublee, 2024).

Why Pillar II Matters More Than Pillar I

The strategic relevance of AUKUS depends on time. Pillar I's significance is long-term, but its timelines intersect awkwardly with present risk assessments. Concerns in Australia about over-reliance on US shipbuilding capacity and shifting Congressional priorities demonstrate the fragility of an approach anchored to American domestic processes (Chan and Rublee, 2024). By contrast, Pillar II aligns with the technological domains that defence analysts identify as decisive in future high-intensity conflict. The Lowy Institute has argued that AI-enabled autonomous systems and electronic warfare are likely to determine outcomes in a Taiwan-related escalation scenario (Denmark and Edel, 2025). Pillar II therefore maps directly onto the capabilities expected to shape deterrence in the near term. Moreover, its focus on dual-use technologies reflects the realities of contemporary warfare and hybrid competition, where the boundary between civilian and military innovation is porous (Jung and Tan, 2024). Accordingly, a growing body of scholarship suggests that Pillar II, not Pillar I, constitutes AUKUS' most consequential strategic contribution over the next decade (Bisley, 2024; Chan and Rublee, 2024; Rose, 2025).

Pillar II as an Institutional Platform

Although Pillar II is often described in technical terms, its institutional structure contains hidden scalability. Instead of producing a single capability, it comprises innovation, industrial integration and talent mobility across advanced technological domains. This design creates the possibility of selective external participation without revising AUKUS membership. Several Indo-Pacific partners – including Japan, South Korea, Canada and New Zealand – have already signalled interest in participating in aspects of Pillar II when politically feasible (Heiduk and Wilkins, 2024). Institutional design theory helps clarify the significance of this structure. Heiduk and Wilkins show that when multilaterals expand, they lose the speed and trust that made them useful in the first place (Heiduk and Wilkins, 2024). However, multilateral influence can broaden without extending membership through working groups, standard-setting and capability-building partnerships. This model, based on depth at the core and extensibility at the periphery, provides a logical blueprint for Pillar II's evolution.

Such an approach is well-suited to Indo-Pacific political realities. Many technologically capable middle powers are unwilling to formally join arrangements construed as anti-China, yet recognise the value of strengthening resilience to cyber coercion, grey-zone pressure and hybrid interference (Jung and Tan, 2024). Pillar II's modular structure therefore aligns well with regional political incentives. This approach avoids two strategic errors. The first would be to keep Pillar II completely internal, which would preserve speed but forfeit regional influence and risk reinforcing perceptions of geopolitical bloc formation. The second would be to expand AUKUS membership, which would dilute efficiency, provoke political resistance, and fundamentally alter the institutional

logic of the pact. Minilateral extension as a middle pathway, preserves the advantages of a closed institution while generating wider benefits.

Policy Recommendations

To maximise capability, feasibility and regional stability, Pillar II should evolve as a platform for scalable cooperation without membership enlargement. Three institutional steps follow logically from the evidence.

1. Establish AUKUS Pillar II-linked technical working groups

Voluntary, project-specific working groups should be created on selected Pillar II domains. These should focus on areas where Pillar II already has momentum and where regional partners possess significant capacity such as electronic warfare, cyber defence and maritime autonomy (Brooke-Holland, 2024). Participation should be open to partners such as Japan, South Korea, and Singapore on a non-membership basis. This keeps AUKUS small while allowing partners to work on specific projects without the political costs of joining the pact. While there is a risk that collaboration with some will be perceived by others as alienation and lead to resentment, this can be diminished if participation is project-specific, allowing states to opt in based on capability and interest rather than geopolitical alignment. Moreover, if participation is open to ASEAN-aligned formats, it could further reduce perceptions of bloc formation. This model would mirror successful minilateral patterns in which participation expands around specific issues rather than through membership enlargement. It distributes capability benefits, strengthens security networks, and avoids locking states into alliances they cannot publicly justify.

2. Develop and diffuse interoperability and technology standards

One of the most effective ways to expand the influence of Pillar II without expanding AUKUS is through standard-setting. Standards are a powerful form of influence (Graz, 2019). If applied, they could incentivise states and industry to align with AUKUS technologies without requiring institutional enlargement. AUKUS members should lead the creation of shared standards for AI safety, quantum-secure communications, and autonomous system protocols. These standards should be open for adoption by Indo-Pacific partners but not for negotiation. This allows the partnership to set the rules around emerging dual-use technologies while maintaining institutional integrity. This approach enables Pillar II to shape regional capability structures indirectly by establishing the standards that others choose to align with. Moreover, it follows the proven European model of testing innovations within small groups before expanding them to wider coalitions, as seen in the EU's Horizon Europe Pilots (European Commission, 2025).

3. Expand capability-building partnerships across Southeast Asia

To further reduce perceptions of strategic exclusion, AUKUS partners should create programmes centred on capacity building rather than military alignment. These could include cyber training, joint crisis-response exercises, support for maritime domain awareness, and talent-exchange programmes in defence-related industries. Rather than exporting AUKUS itself, this approach exports resilience. It demonstrates practical support for regional resilience while complementing, rather than competing with, ASEAN-centred processes. There is a risk of duplication with the Quad, as it is also moving more towards engaging in technology and cyber issues. However, this can be mitigated by coordinating initiatives so that the Quad remains the central platform for international public goods while AUKUS Pillar II focuses on advanced operational capabilities. This model also positions AUKUS as a contributor to regional stability rather than an exclusive geopolitical bloc.

Together, these mechanisms operationalise Pillar II not as an expanded AUKUS, and not as a parallel institution, but as a platform for capacity development and technical standardisation that strengthens a wider network without diluting AUKUS cohesion.

Potential Limitations

It is important to discuss potential limitations of the above recommendations. The expansion of Pillar II through minilateral extensions will require careful management of perceptions. The most significant risk is that external partners, particularly China, may interpret broader Pillar II activity as containment. Avoiding this outcome requires framing Pillar II activity around resilience, critical infrastructure protection, and emerging technology safety rather than hard balancing. A second risk is duplication with the Quad. However, as discussed above, this can be mitigated by coordinating initiatives – which should be straightforward enough, considering potentially three of the four Quad members would be engaged in Pillar II extension. A third risk relates to volatility in US domestic politics. Potentially strengthening the UK-Australia leadership role within Pillar II could provide continuity even if US enthusiasm fluctuates. These constraints do not invalidate a networked evolution of Pillar II. Rather, they simply demonstrate that institutional success will depend on governance and framing rather than structural enlargement.

Conclusion

AUKUS is frequently interpreted through the optics of naval platforms and alliance politics. Yet the long-term nature of the submarine programme and the fragility of US domestic political commitment mean that its most immediate strategic significance lies not in Pillar I but in Pillar II. Understanding Pillar II as an instrument of technological minilateralism highlights its unique potential

to strengthen Indo-Pacific resilience within the critical decade ahead. The most promising future direction for Pillar II favours scalable extensions through working groups, standards and capability-building over enlargement. This model retains efficiency while spreading capabilities, and demonstrates that in a region where multilateralism is necessary but insufficient, the future of security cooperation may depend on institutions that are narrow at the core but open in application.

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