

2026-27 Federal Budget Brief: Investing in Regional Engagement & Resilience

Budget Brief

May 2026



Fitzpatrick & Co
Advisory

Executive Summary

The 2026–27 Federal Budget reinforces the Australian Government’s view that economic security, regional stability and strategic resilience are inseparable from foreign policy. While the Budget contains smaller, targeted foreign affairs spending measures compared with major domestic expenditure measures, the underlying policy direction is strategically significant. The Government is positioning Australia to manage a more fragmented and competitive global environment characterised by geopolitical instability, supply chain disruption and intensifying strategic competition in our region.

A central theme emerging from the Budget is economic diversification and resilience. This reflects a broader shift in Australian policy where foreign affairs, trade, development assistance, infrastructure investment and economic diplomacy are increasingly being integrated into a single strategic framework. The Budget continues this trajectory by supporting regional engagement, supply chain resilience, sovereign capability, development financing and strategic partnerships throughout the Indo-Pacific.

For business, the Budget signals that Southeast Asia, India and the Pacific will remain central to Australia’s long-term economic and geopolitical strategy. This creates opportunities for organisations operating across infrastructure, energy, logistics, education, resources, food security, healthcare, digital economy, critical minerals and strategic supply chains.



Senator the Hon Penny Wong
Minister for Foreign Affairs



Senator the Hon Don Farrell
Minister for Trade and Tourism



The Hon Pat Conroy MP
Minister for
Pacific Island Affairs



The Hon Dr Anne Aly MP
Minister for
International Development



The Hon Matt Thistlethwaite MP
Assistant Minister for
Foreign Affairs and Trade



Senator the Hon Nita Green
Assistant Minister for
Pacific Island Affairs

Budget Highlights

Improving Trading and Investment Conditions

Export support and market diversification:

The Budget includes \$110.2 million over five years to strengthen trade, tourism and investment engagement, alongside expanded Austrade support to help exporters navigate volatile global markets. This includes new support for SME export capability, implementation of the Australia–EU Free Trade Agreement, expansion of the Accessing New Markets Initiative and establishment of a new Trade Resilience Service to assist exporters affected by changing global trade conditions.

Trade liberalisation and tariff reform: The Government will abolish 497 nuisance tariffs from 1 July 2026, bringing total tariff removals to nearly 1,000 measures. The reforms are expected to streamline approximately \$23 billion in trade activity and deliver an estimated \$157 million in annual compliance savings for business.

Foreign investment and regulatory streamlining: The Budget allocates \$47.5 million over four years to modernise and streamline Australia’s foreign investment framework, including a new 30-day approval target for low-risk applications from 1 January 2027, simplification of existing approval conditions and updates to foreign investment laws and ownership registers.

We all continue to interact with our friends. One of the things that we've done over the last four years is rebuild our relationship with our friends in East Asia and Southeast Asia.

Senator the Hon Don Farrell
Minister for Trade and Tourism

“Our investments in diplomacy, development and regional partnerships strengthen both Australia’s national security and the resilience of our region.”

Senator the Hon Penny Wong
Minister for Foreign Affairs

Building on Bilateral Relationships

Indonesia–Australia strategic partnership:

The Government will provide \$33.2 million over four years to operationalise the Australia–Indonesia Treaty on Common Security (the Jakarta Treaty), including support for economic security cooperation, maritime capability development, Indonesian language capability and establishment of an annual Australia–Indonesia Leadership Dialogue.

India–Australia Comprehensive Strategic Partnership:

The Budget includes \$25.3 million over four years to deepen Australia’s strategic partnership with India, including Maitri grants and fellowships, Indian Ocean maritime cooperation and business engagement initiatives such as the Australia–India CEO Forum.

Singapore–Australia green economy cooperation:

The Budget provides \$10.8 million to support implementation of the Singapore–Australia Green Economy Agreement, with a focus on clean energy cooperation, decarbonisation and green economic integration.

"Our humanitarian program reaches some of the most vulnerable communities in our region, making real on the ground change when it comes to health, climate and gender equality."

The Hon Dr Anne Aly MP
Minister for International Development

Budget Highlights

Ensuring Capability, Resilience and Capacity

Critical minerals and sovereign capability:

The Government will invest \$173.3 million over five years to strengthen Australia's critical minerals sector, including establishment and operation of a strategic critical minerals reserve to support sovereign capability, industrial resilience and supply chain security.

Fuel security and energy resilience: The Budget includes a \$14.8 billion Strengthening Australia's Fuel Resilience Package, including a \$7.5 billion Fuel and Fertiliser Security Facility designed to protect domestic industries from global supply disruptions, geopolitical shocks and trade blockages.

Agricultural trade and export capability:

The Government will invest \$77.1 million over four years, plus ongoing annual funding, to strengthen agricultural export capability, international agricultural engagement, export market access and export regulatory services to support Australia's trade competitiveness and food security position.

“The Australian Government remains committed to helping farmers including addressing trade rules which ensure greater fairness and predictability in global agricultural markets.”

The Hon Matt Thistlethwaite MP
Assistant Minister for Foreign Affairs and Trade

“The Australian Government is committed to backing Pacific women to take on leadership positions – not only within sporting bodies, but across all areas of public life.”

Senator the Hon Nita Green
Assistant Minister for Pacific Island Affairs

“Australia's engagement in the Pacific is grounded in trusted partnerships, respect and our shared interest in a peaceful, stable, prosperous region.”

The Hon Pat Conroy MP
Minister for Pacific Island Affairs

Working with Our Region

Pacific engagement and regional influence:

The Government will invest \$187.8 million over four years, plus ongoing annual funding, to strengthen Pacific engagement through regional development, strategic partnerships, broadcasting capability and financial crime resilience initiatives. This is complemented by an additional \$550 million over ten years through the Australian Infrastructure Financing Facility for the Pacific (AIFFP) to support climate-resilient infrastructure projects across the Pacific and Timor-Leste.

Official Development Assistance and regional resilience:

Australia's Official Development Assistance (ODA) budget will increase to \$5.209 billion in 2026–27, including approximately \$2.2 billion for the Pacific and \$1.4 billion for Southeast Asia. Funding will support economic resilience, infrastructure, climate adaptation, energy transition, institutional capability and regional stability initiatives.

Southeast Asia economic engagement: The Budget reinforces implementation of Invested: Australia's Southeast Asia Economic Strategy to 2040, including support for sustainable growth, clean energy transition, infrastructure development and supply chain resilience throughout Southeast Asia. This includes \$3.9 million over four years (and \$0.4 million per year ongoing) to support stakeholder engagement on trade negotiations and pursuing trade diversification and economic opportunities Southeast Asia.

Australia's Foreign Policy & Regional Priorities

The Budget reinforces that Australia increasingly views Southeast Asia as central to Australia's long-term economic resilience and geopolitical positioning. Indonesia remains particularly important given its economic growth trajectory, demographic scale, strategic geography and expanding regional influence within ASEAN and the Indo-Pacific.

The Government is seeking to position Australia as a long-term economic and strategic partner of choice for Southeast Asia at a time of increasing competition for regional influence between major powers, particularly the United States and China. This includes efforts to strengthen Australia's role as a reliable investment partner, infrastructure provider, education partner and trusted supplier across critical industries.

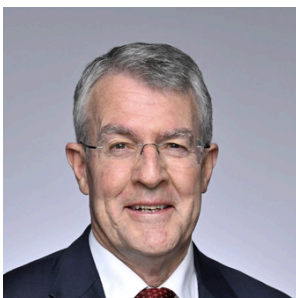
The Budget also reflects growing recognition within government that economic engagement with Southeast Asia is now directly linked to Australia's national resilience agenda. Supply chain diversification, energy transition partnerships, critical minerals cooperation, food security and maritime stability are increasingly being framed not only as commercial priorities, but as strategic necessities.

In this environment, the Government is increasingly focused on:

- Strengthening economic integration with ASEAN markets to diversify trade and investment relationships.
- Supporting Australian businesses seeking to expand into Southeast Asia, particularly in Indonesia, Vietnam and emerging growth markets.
- Encouraging co-investment and public-private partnership models across infrastructure, energy transition, logistics, healthcare and digital economy projects.
- Building trusted supply chains and strategic industrial partnerships with regional partners.
- Expanding defence, maritime and institutional cooperation to reinforce Indo-Pacific stability.
- Using development financing, infrastructure partnerships and economic diplomacy to strengthen Australia's strategic influence across the region.

“At a time of global uncertainty, Australia will remain a reliable partner our region can count on.”

Senator the Hon Penny Wong
Minister for Foreign Affairs



The Hon Mark Dreyfus KC MP
Special Envoy for
International Human Rights



The Hon Tim Watts MP
Special Envoy for
Indian Ocean Affairs



Jan Adams AO PSM
Secretary of
The Department of Foreign Affairs and Trade



The Hon Michelle O'Byrne
Ambassador for
Gender Equality

Government Engagement as a Core Capability

For business, the Budget reinforces that the Australian Government is increasingly aligning commercial policy, foreign policy and national resilience objectives. Organisations operating across infrastructure, energy, logistics, resources, agriculture, education, technology and strategic supply chains are likely to encounter greater government interest in partnership models, co-investment opportunities and projects that align with broader national resilience objectives.

The Budget also suggests that geopolitical considerations will continue playing a larger role in trade, investment and regulatory decision-making. Businesses operating across the Indo-Pacific will increasingly need to manage exposure to strategic competition, trade fragmentation, supply chain diversification pressures and evolving foreign investment scrutiny.

At a broader level, the Budget signals that Australia is preparing for a more contested and economically fragmented Indo-Pacific environment. The Government is seeking to strengthen regional partnerships, diversify economic relationships and build sovereign capability while maintaining Australia's position as an open trading economy integrated into regional growth markets.

Organisations that engage early with government, regional partners and industry stakeholders will be better positioned to identify partnership opportunities, manage geopolitical risk and align commercial strategies with Australia's evolving Indo-Pacific agenda.

About Fitzpatrick & Co Advisory

Fitzpatrick & Co Advisory (F&Co) is a leading Australian provider of strategic government relations and public affairs advice to companies, investors and innovators focussed on Australia's critical industries and the essential sectors and technologies deemed vital for the nation's economic prosperity, national security, and social cohesion. F&Co offers clients genuine insights into the operations of government and the media and helps them create and implement strategies for success. With unique insights and deep understanding of government operations and media,

F&Co works with clients to develop a bespoke approach to achieve public affairs and business objectives, including managing campaigns and issues, engaging with media, and connecting with Labor Governments and Oppositions across the country.

F&Co brings decades of proven experience in guiding companies deploying emerging technologies to navigate complex political landscapes in dynamic policy and competitive procurement environments.

Eamonn Fitzpatrick - Managing Director



Eamonn has spent more than 30 years in media, politics, communications and consulting in Australia, representing some of the world's biggest brands including Uber Technologies, Google, Qatar Airways as well as many Top 100 ASX companies in highly regulated industries.

He has advised Labor leaders across the country in senior roles at federal and state level. He was a senior press secretary to Prime Ministers Gillard and Rudd and previously head of strategy within the Federal Opposition. He has excellent networks across Federal Labor and the entire current Federal Cabinet, the broader Ministry, as well as MPs and their staff.

Eamonn has also held senior roles with Premiers and Treasurers in NSW and Queensland and has a deep understanding of Federal and State Government decision making, funding and policy formulation processes within political leadership and bureaucratic structures, and the risks and opportunities these can create.

As a former Sydney Morning Herald journalist, he understands the political dynamic of news media coverage and maintains strong connections to senior journalists and editors across the country. He appears on Sky News weekly as a federal political commentator.

