

DEFENCE

China - Australia military jet incident

On 11 February, a People's Liberation Army Air Force (PLAAF) Shenyang J-16 fighter jet released flares near a Royal Australian Air Force (RAAF) P-8A Poseidon reconnaissance aircraft which was conducting routine surveillance in the South China Sea.^{1 2 3} The flares were reportedly deployed within 30 metres of the Australian aircraft.^{4 5}

In its official statement on the incident, Australia's Department of Defence described the manoeuvre as an "unsafe and unprofessional interaction", and emphasised that although no injuries or damage had been reported, the event had posed a risk to the aircraft and personnel involved.^{6 7} The ministry added that it had "expressed concerns" to its Chinese counterparts over the incident and asserted that "Australia expects all countries, including China, to operate their militaries in a safe and professional manner".⁸

In response, official Chinese channels contended that the Australian surveillance mission constituted a deliberate intrusion into its territorial airspace over 'Xisha Qundao', the Chinese name for the Paracel Islands, asserting that therefore measures taken to expel the aircraft were "legitimate, professional and exercised with restraint".^{9 10}

At a regular press conference, Chinese foreign ministry spokesperson Guo Jiakun urged Canberra to "stop undermining peace and stability in the South China Sea".¹¹ Meanwhile, in its coverage, Chinese state media outlet the Global Times claimed that Australia's 'type' over the interaction "reflects its strategic short-sightedness in regional security issues", and that "while collaborating with the U.S. strategy of maritime containment of China, Australia is also advancing its own selfish agenda".¹²

In a separate statement on the same day, Canberra said it was monitoring three Chinese navy vessels operating to the north-east of Australia.^{13 14} The vessels had reportedly travelled through Southeast Asia before entering Australia's maritime approaches, with one of the vessels transiting into waters in Australia's north.¹⁵

Adarga Analysis: The recent aerial encounter between a Chinese J-16 fighter jet and an Australian P-8A Poseidon surveillance aircraft illustrates the persistent tensions in the South China Sea and is the latest in a series of incidents between China and Australia. Earlier encounters between the two nations include an incident in May 2024, where a Chinese fighter plane allegedly dropped flares near an Australian naval helicopter on a UN mission in the Yellow Sea, and a November 2023 accusation from Australia that the People's Liberation Army Navy (PLAN) were using sonar pulses in international waters off Japan, causing injuries to Australian divers.

The frequency of these interactions likely reflects both China's growing willingness to challenge Australian and allied military presence in contested regions, and Australia's determination to assert its right to operate in accordance with international law. The proximity of flares to the Australian aircraft in this latest incident represents a notable escalation in terms of risk to personnel and equipment. While no physical damage was reported, the characteristics of this engagement increased the likelihood of miscalculation, and consequently there was a heightened risk of triggering more serious diplomatic or military repercussions.

A fundamental driver of this dispute is the legal standing of territorial claims in the South China Sea. Australia has consistently aligned its position on the issue with allies such as the United States, and therefore has repeatedly rejected China's expansive claims, asserting that they lack legal basis under international maritime law, particularly the United Nations Convention on the Law of the Sea (UNCLOS)¹⁶. Meanwhile, China insists on its interpretation that the surveillance operation by Australia constituted an incursion into its sovereign airspace, thereby justifying its response as defensive in nature.

Beyond the immediate incident, Australia's broader response reflects its deepening commitment to regional security and deterrence measures. The monitoring of three Chinese navy vessels operating north-east of Australian territory indicates a heightened level of vigilance and is likely linked to broader intelligence-sharing efforts with allies such as the UK, U.S. and Japan, and underscores Australia's increasing role in countering China's maritime activities as a regional power in the Indo-Pacific.

In its response, China's Ministry of Foreign Affairs and state media outlets framed Australia's reaction as overblown and part of a broader strategic alignment with the U.S. in what China perceives as a policy of military containment. This rhetoric demonstrates China's dual-pronged approach — military posturing paired with diplomatic counter-narratives — which is highly likely designed to shape regional perceptions and deter external intervention.

Moreover, the reference made by China to Australia's alignment with the U.S. on what it terms a 'maritime containment strategy' demonstrates the broader dynamics of this situation. This latest episode is emblematic of a larger geopolitical contest in the South China Sea, where smaller regional actors in the Indo-Pacific, such as Australia, but also the Philippines, and Vietnam, find themselves at the forefront of military and diplomatic friction with Beijing. These nations consistently continue to emphasise the principles of freedom of navigation and overflight as fundamental to maintaining the balance of power in the region.

The likelihood of similar confrontations between Chinese and Australian military forces in future remains high, given the entrenched nature of their respective positions. While both sides have thus far exercised restraint, the potential for escalation due to a miscalculation, though unlikely, remains a serious concern. Without a fundamental shift in strategic outlooks, such incidents are expected to persist; Australia will likely continue its policy of regional engagement and military cooperation with allies, reinforcing its presence in contested waters, while China is highly likely to sustain its assertive manoeuvres, using both military pressure and diplomatic narratives to advance its claims.

POLITICS

Panama withdraws from the Belt and Road Initiative

On 3 February, President José Raul Mulino of Panama confirmed that his country will terminate its agreement with the Belt and Road Initiative (BRI), and had formally lodged a notice that it will leave the project.^{17 18}

In his statement, President Mulino emphasised that the move was made independently and was not coerced by U.S. demands.¹⁹ However, the decision follows significant pressure from U.S. officials, including President Donald Trump and Secretary of State Marco Rubio, the latter of whom visited Panama between 1-2 February as part of his first official overseas trip since his appointment.^{20 21 22} Ahead of his visit, Rubio had demanded that Panama make "immediate changes" to what he describes as "the influence and control of China" over the Panama Canal, and that otherwise the U.S. would "take measures necessary to protect its rights".^{23 24} In a post on X, Rubio called the development "a great step forward".²⁵

Since the announcement, China has expressed its disappointment and 'deep regret' over Panama's decision to withdraw from the BRI, which it described as a significant infrastructure project intended to enhance connectivity and economic cooperation globally.²⁶ On 7 February, Chinese foreign ministry spokesman Lin Jian urged Panama to consider its broader bilateral relationship with China and to resist external interference from the United States.^{27 28} On 8 February, Assistant Foreign Minister Zhao Zhiyuan summoned Panama's ambassador to China, Miguel Humberto Lecaro Barcenas, to lodge solemn representations over Panama's decision to not renew the Memorandum of Understanding on cooperation with China on the BRI.²⁹

At the time of writing, no formal decision has been made on the Panama Canal itself, though Panama has announced an audit on the subsidiary of CK Hutchison Holdings, which manages two of the canal's five ports.³⁰ Publicly, President Mulino has pushed back against U.S. pressure; since Rubio's visit on 6 February Mulino dismissed U.S. allegations over Chinese control of the canal, and accused them of spreading "lies and falsehoods".³¹

Adarga Analysis: President Mulino's decision to withdraw Panama from China's BRI highlights the complex balancing act he is navigating between competing geopolitical pressures. While Mulino has asserted that the decision was made independently, the timing and circumstances surrounding it suggest that it is highly likely that U.S. diplomatic and economic influence played a decisive role. The presence of Secretary of State Marco Rubio just days before the announcement, coupled with Rubio's explicit warnings regarding China's influence over the Panama Canal, indicates that Panama is under considerable pressure from Washington to align itself with U.S. strategic interests.

At the same time, Mulino has attempted to publicly distance his administration from the perception of U.S. coercion. His dismissal of U.S. claims about Chinese control over the Panama Canal as "lies and falsehoods" likely signals an effort to assert national sovereignty and maintain a degree of diplomatic independence. It is also highly likely the "lies and falsehoods" label refers to additional claims made by the State Department outside of those centred on Chinese influence or control. On 5 February – the day before Mulino's comment – the Panama Canal Authority rejected a separate claim made by the U.S. State Department that Panama's government had agreed to no longer charge crossing fees for U.S. government vessels, a move that would save the U.S. millions of dollars a year.³² This rhetorical pushback serves a dual function: it reassures the domestic audience that Panama is not simply bending to U.S. demands while also tempering potential fallout with China, which remains an important economic partner, and its second largest trading partner after the United States.³³

Beyond official government discourse, wider Panamanian public sentiment is also an important factor. Reports of protests during Rubio's visit suggest that there is substantial domestic opposition to overt U.S. interference.^{34 35 36} Many Panamanians remain wary of Washington's historic interventions in the country, particularly regarding the canal, and consequently view the latest pressure as a continuation of that legacy.³⁷ If U.S. actions are perceived as overly aggressive or heavy-handed, there is a realistic possibility they could provoke resentment and create openings for China to regain influence through economic incentives and diplomatic engagement.

In our assessment, this also offers insights into broader patterns we can begin to observe in terms of the new Trump administration's approach to allies and partners. The diplomatic strategy led by Trump and Rubio prioritises highly visible demands for alignment with U.S. interests, often framed around national security and/or geopolitical competition with China. However, as seen in other recent cases — such as Mexico's partial concessions on migration policies and Canada's adjustments to trade agreements — pressurised governments are adopting a strategy of selective compliance. By withdrawing from the BRI while resisting additional demands regarding the Panama Canal, Mulino may be following a similar pattern of limited concession while maintaining strategic flexibility.

Looking ahead, the effectiveness of this U.S. pressure campaign remains uncertain. While Washington has succeeded in pushing Panama out of the BRI, its broader goal of reducing Chinese influence in the region is far from guaranteed. If U.S. demands become too stringent or if economic alternatives are not provided, Panama and other Latin American nations may ultimately seek deeper engagement with China as a counterbalance to U.S. dominance. Thus, there is a realistic possibility that Washington's aggressive posture could backfire, reinforcing the very dynamics it seeks to counter.

ABOUT

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