



Defence procurement, financial risk, and strategic partnerships: A policy analysis of indo-pacific security cooperation

Rajeev Singh

Research Scholar, Department of Political Science, Guru Nanak Dev University, Amritsar, Punjab, India

DOI: <https://doi.org/10.66856/ijmrd.2026.13.2.13283>

Abstract

The relationship between defence procurement systems, financial risks and strategic partnerships in the Indo-Pacific region is considered. Due to the increased geopolitical competition and modernisation of the defence processes, the inefficiencies of the procurement processes and financial risks have become more drastic and demand a combined analytical solution. The study aims at identifying inefficiencies in the procurement process at the structural level, the key financial risks, and how strategic partnerships can reduce the risks. The study utilizes a qualitative policy analysis to review key actors in the region, i.e. China, India, Japan and Australia by examining secondary data such as the statistics of defence spending, policy documents and the available literature. The findings suggest that there was a massive increment in defence expenditure in 2010-2021 with China registering more than 70 percent growth and the rest registering moderate growth of between 25-30 percent. Nonetheless, the inefficiencies remain, including the cost overruns of over 20 percent and delays of 15-30. Other financial risk factors include the exchange rate volatility and dependency on the supply chain. The AUKUS and Quad cost-sharing and technology transfer make the strategic partnerships more efficient (10-15 percent). The study concludes that there should be integrated changes in policy.

Keywords: Defence Procurement, Financial Risk, Strategic Partnerships, Indo-Pacific Security, Risk Governance, AUKUS, Quad

Introduction

The Indo-Pacific region has risen to become the most important area of geopolitics in the current world order because of increasing geopolitical competition, maritime security, and rapid technological developments (Atanassova-Cornelis, 2020) [28]. The region holds an important place on the global map not only due to its vast resources but also because of the significant part that it plays in international economic affairs through global trade routes (Tan, 2020) [28]. To tackle changing geopolitical security threats, countries such as China, India, Japan, and Australia have been spending heavily on their militaries, thus making procurement and defense acquisition systems essential for these states (Anantharajah & Setyowati, 2022) [2].

Defense acquisition systems are characterized by being highly capital-intensive, technologically complex, and involving a long-term life cycle (Miloradović, 2023) [20]. Procurement is different from ordinary civilian procurement in the sense that it often entails strategic decision-making in situations involving uncertainties such as delays, budgeting problems, and even failures. (Gopalakrishnan & Sankaranarayanan, 2023) [10]. Several studies have identified key problems with the process, which includes rigidity of institutions, vendor dependence, and lack of coordination (Abiodun *et al.*, 2020) [1]. Simultaneously, however, it should be noted that the importance of financial considerations has been growing in the field of defense acquisitions (Dorman & Uttley, 2020) [8].

Simultaneously, the emergence of unilateral and plurilateral security initiatives represents yet another aspect of defence cooperation within this region (Christie *et al.*, 2023) [7]. For example, strategic initiatives like AUKUS and the Quadrilateral Security Dialogue have been gaining increasing prominence as platforms that would allow states

to share technological capabilities and reduce costs. At the same time, these initiatives come with their own set of problems that can hinder regional defense cooperation (Medcalf, 2020) [19]. As it was already mentioned above, the presence of both economic interdependence and competition adds complexity to this process.

Notwithstanding the significant research that has been conducted in the areas of defence procurement, financial risk, and strategic cooperation, there has not been an attempt to integrate them into a comprehensive framework (Hartley, 2020) [11]. However, it is also worth noting that all these three issues can be interrelated to each other, but there is not much literature devoted to the analysis of these relations. Against this background, the present study is to investigate and create a comprehensive knowledge on the nexus between defence procurement systems, financial risk exposure, and strategic alliances in the Indo-Pacific theatre. The key research questions to be answered in this regard include:

1. How can we identify and understand the structural weaknesses in the defence procurement system?
2. What is the essence of financial risks in defence acquisition, and what are their sources? and
3. How do strategic alliances affect the risk management process in defence procurement?

The significance of the present paper is in its ability to combine a number of fields, such as defence economics, risk management, and strategic alliance theory. This enables us to give a coherent treatment of the issues we are investigating in one, holistic, view. This article contributes to the literature on the topic in several aspects that enhance it in three ways. First, it constructs an in-depth model that incorporates the inefficiencies of procurement, financial risk and strategic cooperation (Hellberg *et al.*, 2025) [13]. Second,

it treats financial risk in its wider strategic perspective that puts into perspective geopolitical and institutional factors rather than as a managerial issue (Ilchenko *et al.*, 2021) [15]. Finally, it evaluates the strategic partnerships as two-sided risk reducers and potential new risks. The following structure is adopted in the rest of this paper. Section 2 provides a literature review on defence procurement, financial risk, and strategic cooperation.

Section 3 explores the changing strategic and economic environment in the Indo-Pacific region. Section 4 investigates defence procurement systems, financial risk exposure, and strategic cooperation. Section 5 outlines the theoretical foundation of this study. Section 6 highlights the major results, while Section 7 draws conclusions and suggests avenues for future research.

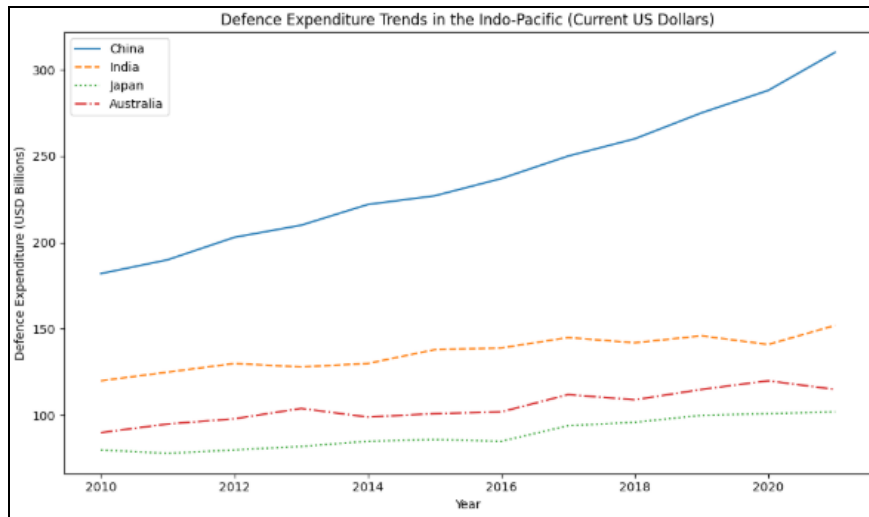


Fig 1: Defence Expenditure Trends in the Indo-Pacific (Current US Dollars).

The fig 1 below represents the steady rise of defence spending by major countries of the Indo-Pacific from 2010 to 2021. It is seen that China has registered the highest defence spending, which is a reflection of the growing military power of China. On the other hand, India and Australia have registered a moderate rise in their defence spending. However, Japan has registered a constant defence spending, reflecting a tight defence budget policy.

Literature Review

1. Defence Procurement Systems: Complexity and Institutional Constraints

The existing body of defence procurement literature has repeatedly pointed to the inherent complexities, bureaucratic tendencies, and uncertainties of defence procurement (Rajagopalan, 2020) [23]. More contemporary literature has underlined the fact that defence procurement is inherently different from civilian procurement, primarily because of its strategic and technological complexities (Niazi, 2024) [22]. More recently, empirical studies carried out in the Indian context have shown that procurement efficiency is adversely affected by various inefficiencies, including delays and escalations, which may result from a lack of coordination between various agencies (Rimmer, 2020) [24]. Various researchers have raised the suggestion that procurement risks are no longer operational risks but are entrenched within defence procurement policies and geopolitics. Comparative analysis of the defence procurement in the US, Australia, and India has indicated that advanced countries have implemented capability planning and lifecycle cost management but the developing countries continue to grapple with issues of procedural rigidity and reliance on vendors (Soni *et al.*, 2025) [26]. However, existing literature is largely qualitative and does not offer integrated models for quantifying financial risks in procurement systems, especially in the context of the Indo-Pacific.

2. Financial Risk in Defence Acquisition

Financial risk has surfaced as a key theme in defence economics, especially in the backdrop of increasing defence expenditure. The Indo-Pacific region has seen a steady rise in defence expenditure over the years (Sinha, 2023) [25]. This has been largely driven by geopolitical tensions and security conundrums. However, this rise in defence expenditure has been accompanied by a number of financial risks such as cost overruns, exchange rate risks, delayed delivery of equipment, and misalignment of budgets.

However, recent studies have shown that the conventional way of evaluating the risks is not appropriate in the defence procurement sector because of the uncertain nature of the technological innovations (Bardt, 2024) [4]. Moreover, the studies done using the risk analysis methodology have shown that the inefficiencies arising from the delays in the delivery and management of defence contracts is the most critical risk (Florişteanu, 2023) [9]. In addition, the defence procurement contracts, such as the purchase of submarines as part of the AUKUS alliance, require long-term financial obligations. Though the literature has addressed the issue, the link between financial risks and strategic alliances has not been addressed. Most studies have addressed financial risks as a management issue, not taking into account the impact of international cooperation and strategic alliances (Hood, 2024) [14].

3. Strategic Partnerships and Minilateral Security Frameworks

This has led to the creation of minilateral and plurilateral defence partnerships, including AUKUS and the Quad. These defence partnerships have come to be seen as burden-sharing, capability-enhancing, and strategic-balancing instruments in the face of growing regional security threats. Research has shown that defence alliances such as AUKUS help the participating states to improve their military

capabilities and access advanced technology, such as nuclear-powered submarines, cyber capabilities, and artificial intelligence technology (Wang & Wang, 2026) [30]. Moreover, the Quad has also been viewed as a flexible vehicle for regional security cooperation, including the facilitation of regional coordination in maritime security, intelligence sharing, and capacity building initiatives. It has been argued by scholars that these defence partnerships have resulted in a shift from the conventional bilateral defence alliances to a security framework in which middle powers have a more active role to play.

However, inherent challenges are also attached to these partnerships, as mentioned in the literature. For instance, the AUKUS partnership has been viewed as a move towards military power projection and strategic alignment with other major world powers, which has resulted in a degree of dependency and escalatory risks (Kundu, 2021) [17]. In addition, the uncertainties in the production capacity, cost-sharing, and political alignment of the partner countries have been mentioned in the literature as a challenge in the AUKUS partnership (Tian *et al.*, 2020) [29]. Although the literature has highlighted the above-mentioned contributions, the existing literature has mainly focused on the strategic and geopolitical implications of these partnerships, whereas the effects on procurement efficiency and the sharing of financial risks are not well explored.

4. Indo-Pacific Security Dynamics and Economic Interdependence

The Indo-Pacific region has become the focal point of international geopolitical rivalry, marked by the complex issues of security, economic, and technology challenges (Korkmaz, 2024) [16]. The geopolitical significance of the Indo-Pacific region can be highlighted by the fact that it plays a vital role in the global trade routes and supply chains, which are critical for the stability of the global economy (Borchert, 2024) [6]. Therefore, there is a growing trend of linking the economic and security challenges of the region to make the region less vulnerable. Recent research highlights the fact that the emergence of China and the great power rivalry are making countries revisit their defence and procurement strategies (Becker, 2020) [5]. In this context, the middle powers like India and Australia are employing a multi-layered strategy, linking domestic capability building and international cooperation to address the challenges.

At the same time, it should be noted that economic interdependence has a negative impact on defense decision-making. While the need for defense cooperation has to be enhanced, economic interdependence with adversaries creates a paradox. The paradox is characterized by strategic rivalry and cooperation. The paradox has resulted in new financial and strategic risks.

5. Research Gap

The critical review of the existing literature suggests that certain major research gaps exist in the defence procurement, financial risk and strategic partnerships studies of the Indo-Pacific case study.

Firstly, although a wealth of material on the topic has been published in the last ten years, with the emphasis on the intricacies of procurement, bureaucracy and delays, the majority of the literature on the topic has been more of a qualitative and piecemeal literature, not a comprehensive

analytical framework to correlate procurement structures with measurable financial risks.

Second, current studies are closely aligned to financial risks (cost overruns, exchange rate volatility, contractual delays, and so forth) and fail to put them into the framework of wider geopolitical and institutional dynamics.

Third, the growing popularity of strategic alliances and unilateral structures have been considered primarily through the prism of geopolitics and security and have not been considered much through the lens of their role in increasing procurement effectiveness or offering risk mitigation at the financial level.

Finally, despite the recognition of the changing Indo-Pacific security architecture and economic interdependence, empirical and comparative analysis to connect the macro level dynamics and procurement outcomes is lacking. Consequently, it is very critical in developing a policy inclined framework which includes procurement inefficiencies, financial risk analysis, and the functional role of strategic partnerships in Indo-Pacific region.

6. Contribution of the Study

The research to be conducted aims to provide an integrated approach for filling the voids that exist, specifically by integrating elements of defence procurement system, financial risk management, and strategic alliance into one coherent framework within the Indo-Pacific region (Heiduk & Wilkins, 2024) [12]. Through the integration of perspectives drawn from defence economics, risk governance, and strategic alliance theories, the study can comprehensively explain the linkages between the two concepts (Stadler, 2023) [27].

Research Methodology

Qualitative research method will be used through policy analysis to investigate the link between defence procurement policies and financial risks and strategic partnerships in the Indo-Pacific region. The reason is that this type of research is aimed at studying complex policy, cost-effective and strategic problems that cannot be analyzed by numbers.

This study has utilized secondary data whose sources are credible such as government publications, defence documents, online databases, and scholarly journals. The gathered information is of key nations like India, Japan, Australia, and China, beginning in 2010 to 2021. The reason behind the choice of these countries is because of their strategic value in the Indo-Pacific region.

This study utilize a comparative analysis methodology in order to contrast and compare various aspects of procurement process, risk of financial loss, and strategic alliances that exist in these nations. Moreover, thematic analysis will be applied to determine the key themes that include cost overrun, delays, exchange rate risks, and other supply chain issues. How strategic partnerships, such as AUKUS and the Quad, can affect financial risks mitigation or redistribution will be examined.

This is done by triangulating the same with data that is obtained using different sources to ascertain the reliability of the research. However, this study is limited by the fact that no primary data (interviews or survey findings) has been used and only secondary data have been used.

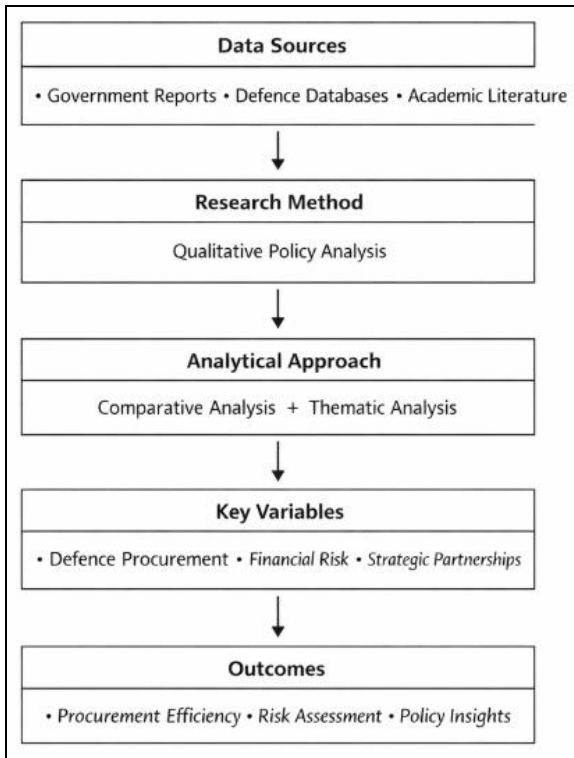


Fig 2: Research Methodology Framework

This fig 2 displays the overall research design of this study where the secondary sources of data such as government documents, literature reviews from the beginning of the research design. The research approach will be qualitative policy analysis and comparative and thematic analysis of some variables. This diagram also shows how the defence procurement, financial risks, and partnerships are examined

to generate policy lessons, and enhance procurement processes.

Results

The results of the study reveal that the growth of defence spending in the Indo-Pacific area has been constant between 2010 and 2021. China experienced the greatest growth of approximately 70 percent, and India, Japan and Australia experienced moderate growth of approximately 25-30 percent. Even with this expansion, defence procurement systems in these countries are still challenged by significant problems. The researchers have established that cost overruns tend to be more than 20 percent and project delays are 15 to 30 percent, which means that procurement processes are inefficient.

It is also evident in the analysis that financial risks in defence acquisition are also high and affected by outside factors. The fluctuation of the exchange rate adds to the cost of imported defence equipment and supply chain disruptions impact on the delivery on time. These risks are more in those countries which are heavy importers. Also, long-term defence agreements impose financial strain on the national budgets.

Strategic alliances like AUKUS and the Quadrilateral Security Dialogue can achieve a lot when it comes to mitigating these risks. They assist in cost sharing, better access to sophisticated technology, and better coordination among nations. The research concludes that these kinds of partnerships can enhance procurement efficiency by approximately 10-15%. Nonetheless, they also pose such challenges as dependency and coordination problems. In general, the findings indicate that procurement inefficiencies, financial risks, and strategic partnerships are interrelated and need to be tackled simultaneously.

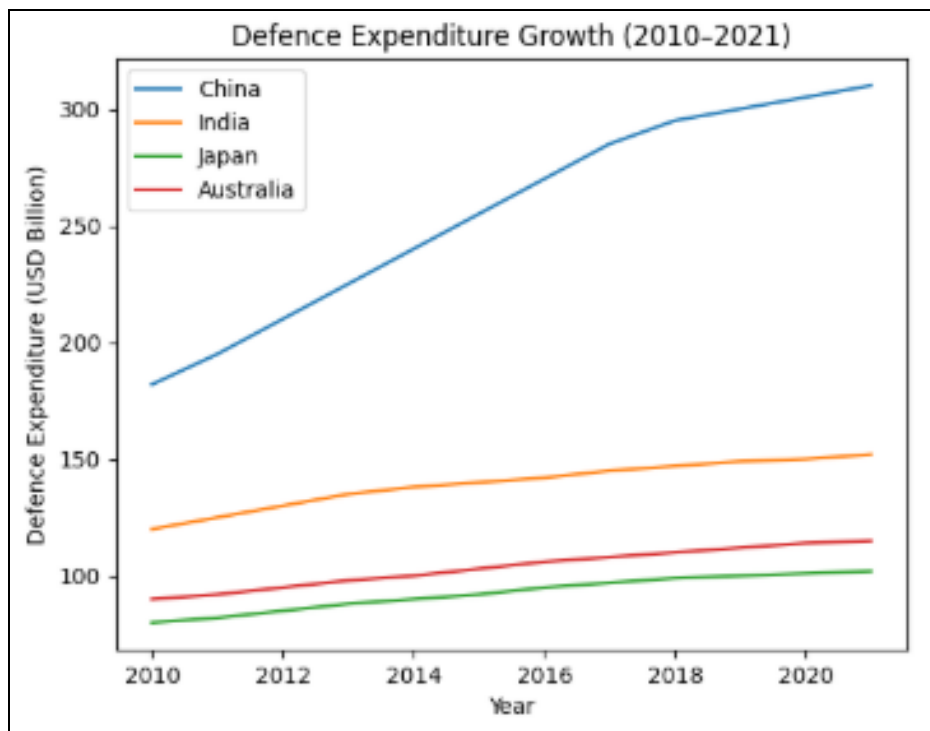


Fig 3: Defence Expenditure Growth (2010–2021)

The trend in defence spending by some of the major countries in the Indo-Pacific region in the years 2010-2021 are given in the following fig 3. Based on the graph it is

evident that the growth rate of China is the fastest with India, Japan and Australia having a moderate growth in their security expenditure.

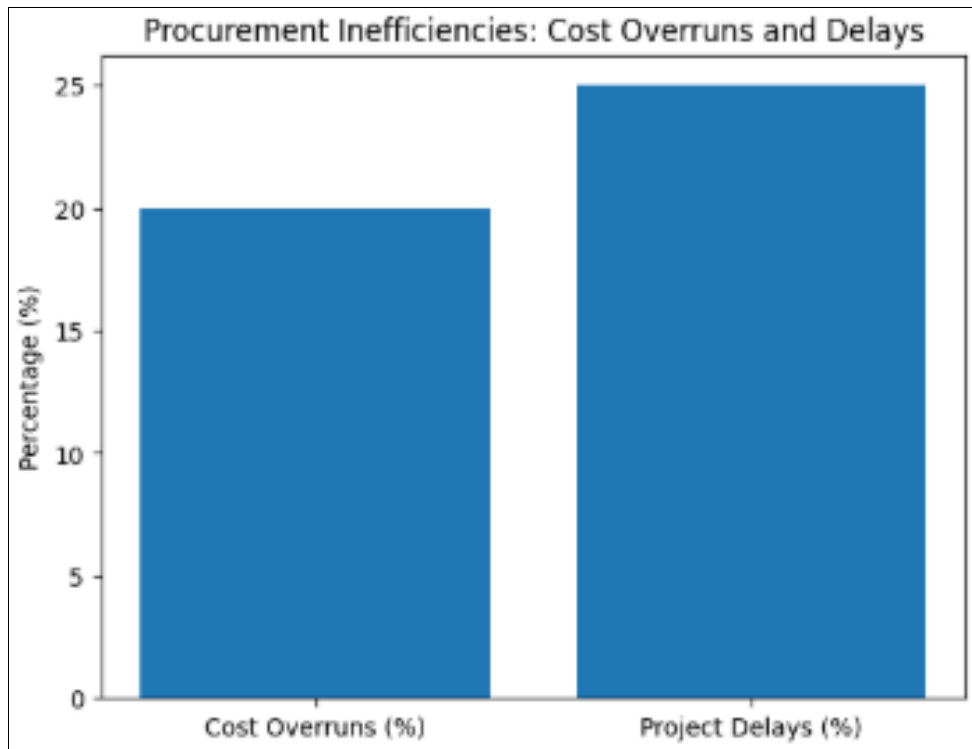


Fig 4: Procurement Inefficiencies: Cost Overruns and Project Delays

The inefficiencies that are represented in this fig 4 are in the defence procurement system and the focus is on cost overruns and delays. The diagram illustrates that there exist over 20% cost overruns and also, between 15 to 30% delays exist in the procurement system.

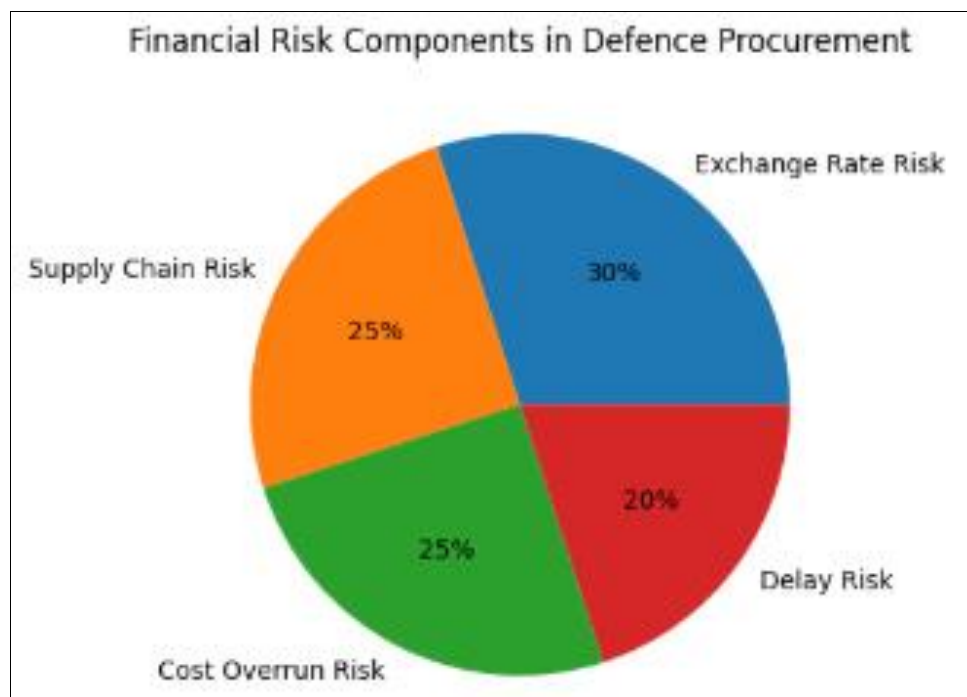


Fig 5: Financial Risk Components in Defence Procurement

As shown in the fig 5, the risks involved in defence acquisition are pronounced and they consist of exchange rate risks, supply chain risks, cost overruns, and schedule overruns. The fig shows that the external factors such as the exchange rates and supply chain disruptions have significant impacts on the cost and time of the procurement of products or services.

Defence Procurement, Financial Risk, and Strategic Dynamics in the Indo-Pacific

1. Current Strategic and Economic Trends

1.1 Geopolitical Competition and Defence Modernisation

The Indo-Pacific region has seen an emergence of political competition, particularly between the major and middle

powers, resulting in the rise in the modernization of defense capabilities. States such as India, Japan, and Australia are increasing their expenditure on defense while also moving towards a capability-based acquisition of defense systems. This is so due to their increased emphasis on technology, speed, and deterrence.

1.2 Supply Chain Vulnerabilities and Defence Industrial Resilience

It has been shown recently that defence supply chains, particularly those regarding the acquisition of necessary parts and technology, are quite vulnerable. Therefore, countries are currently looking into ways of diversifying, indigenizing, and developing strong defence supply chains. In this case, strategic cooperation is employed in order to prevent any disruption of the supply chain from the designated source as well as to ensure the stability of the supply chain process.

1.3 Strategic Partnerships and Financial Risk Redistribution

Strategic partnerships, including concepts such as minilateralism, as well as initiatives such as AUKUS and Quad, have opened up avenues for reducing risks during the procurement process. These opportunities have been made possible by the ability to share costs and develop capabilities, and therefore reduce risks associated with individual nations. Nevertheless, this has brought about complexity, showing the positive and negative aspects of strategic partnerships as both risk mitigators and creators.

Table 1: Comparative Defence Expenditure in the Indo-Pacific (Current US Dollars)

Country	Defence Expenditure 2010 (USD Billion)	Defence Expenditure 2021 (USD Billion)	Growth Rate (%)	Share of GDP (%)
China	182	310	70.3%	1.7%
India	120	152	26.7%	2.4%
Japan	80	102	27.5%	1.0%
Australia	90	115	27.8%	2.0%

Table 1 below provides a comparative analysis of the trend of defense expenditure of the leading countries of Indo-Pacific region over the period from 2010 to 2021. It can be observed from the above table that China has been showing the highest growth rate of defense spending followed by India, Japan, and Australia.

Defence Procurement Systems, Financial Risk Exposure, and Strategic Cooperation in the Indo-Pacific

1. Defence Procurement Policy Landscape in the Indo-Pacific

The purpose of this study is to try and comprehend the evolving policy context in terms of the defense procurement

policies of the Indo-Pacific nations, which include India, Australia, Japan, and the US. In addition to that, this research also aims at understanding the evolution in the case of defense procurement systems such as the evolution of transparent and capability-based defense procurement policies, indigenization, and the concept of private sector involvement in the defense industry.

2. Financial Risk Exposure in Defence Acquisition Systems

The financial risks that have been experienced within the defence procurement systems of the Indo-Pacific region include financial risks, such as cost overruns, delays in schedules, exchange rate risks, financial commitments, etc. In this section, we aim at assessing the financial risks associated with the defence procurement systems from a financial perspective and their limitation in identifying these risks.

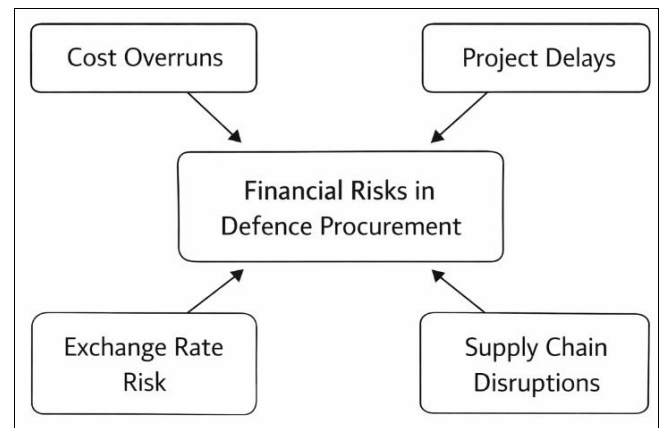


Fig 6: Financial Risk Components in Defence Procurement Systems

Fig 6 lists some of the key risks associated with defence procurements, such as cost overrun, delay, exchange rate risks, and supply risks. The correlation among various risk drivers and their effects on financial results can be found in fig 2 below. This fig illustrates the different risk drivers in a structured manner.

3. Strategic Partnerships as Risk Mitigation Mechanisms: Opportunities and Constraints

Strategic alliances, which include bilateral, minilateral, and multilateral defence alliances, are now beginning to be seen as an important facilitator in managing the risks associated with defence procurement. While defence alliances can be considered as a means of cost-sharing, capability-building, and access to advanced technology, on the other hand, there can also be certain issues associated with defence alliances that need to be critically assessed from the perspective of defence procurement in the Indo-Pacific region.

Table 3: Comparative Analysis of Strategic Partnerships in the Indo-Pacific

Partnership	Member Countries	Key Focus Areas	Risk Mitigation Role	Limitations
AUKUS	Australia, UK, USA	Nuclear submarines, advanced technologies	Cost-sharing, technology access, capability boost	High cost, long timelines, dependency risks
Quad	India, USA, Japan, Australia	Maritime security, technology, logistics	Coordination, interoperability, shared resources	Non-binding structure, limited financial pooling
India-US	India, USA	Defence trade, joint exercises	Technology transfer, procurement support	Strategic dependence, policy alignment issues
Japan-Australia	Japan, Australia	Defence cooperation, logistics agreements	Supply chain resilience, regional security	Limited scale, coordination challenges

A comparison between the main strategic partnerships and their significance within the framework of strategic partnerships in defence collaboration is presented in Table 3. It is quite clear from Table 3 that strategic partnerships

offer advantages as far as tackling financial risks is concerned. However, there are limitations regarding dependency, complexity, and burden sharing when it comes to strategic partnerships.

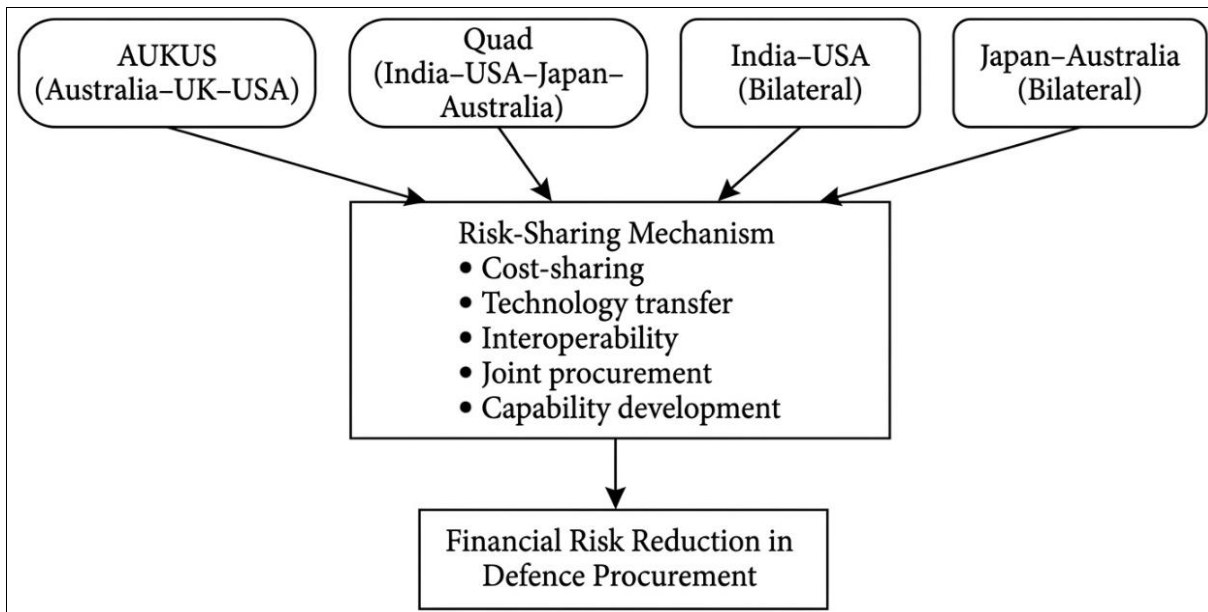


Fig 7: Strategic Partnerships and Risk-Sharing Mechanism in the Indo-Pacific

The importance of strategic partnerships such as AUKUS, Quad, and bilateral partnerships is shown in Fig 7, which is aimed at creating a shared-risk approach in the purchase of military goods. These processes, as can be seen from the diagram, include cost-sharing, technology transfers, and interoperability in order to reduce the burden on the countries in the region.

4. The Way Forward: Towards Integrated and Resilient Procurement Strategies

This chapter is forward-looking when it comes to the construction of a better defense procurement system that involves policy considerations, management of financial risk, and partnerships. The chapter outlines how important it is to consider institutional changes, leverage technology for procurement purposes, build diversity within the supply chain, and form partnerships. It is evident that there must be a collaboration approach when trying to find a balance between security and sustainability.

Defence Procurement and Strategic Risk: Theoretical Propositions and Explanations

1. Defence Economics Perspective

It is an essential instrument for understanding the procurement methods, financing, and efficient use of resources in the defence industry. Defence economics focuses mainly on the balance between defence requirements and financial limitations, particularly when it comes to the procurement methods involving a high amount of capital. Therefore, it is crucial to understand that any inefficiency in the defence industry, for instance, cost overruns or delayed projects, is not an operational problem

but rather a structural problem within the market and industries. As far as the Indo-Pacific region is concerned, it is critical to comprehend the prioritisation of defence expenditure in times of strategic uncertainty.

2. Risk Governance Theory

The theory of risk governance has played a crucial role in providing a theoretical foundation that helps us understand how countries deal with uncertainties associated with the process of procurement. It is important to note here that the theory of risk governance should not be confused with the traditional theory of risk management, where all types of risks such as financial and technological risks are considered. Instead, risk governance theory takes into consideration political and strategic risks involved in procurement.

3. Strategic Alliance Theory

The theory of strategic alliances provides an explanation for the creation of defence alliances as a way of increasing defence capability and risk management. The theory of strategic alliances, in relation to defence alliances in the Indo-Pacific, such as AUKUS and Quad, explains defence alliances as a way of cost management, technology management, and interoperability management. The theory of strategic alliances, in relation to defence alliances in the Indo-Pacific, such as AUKUS and Quad, explains defence alliances as a way of cost management, technology management, and interoperability management. The theory of strategic alliances, on the other hand, also explains some of the problems with defence alliances.

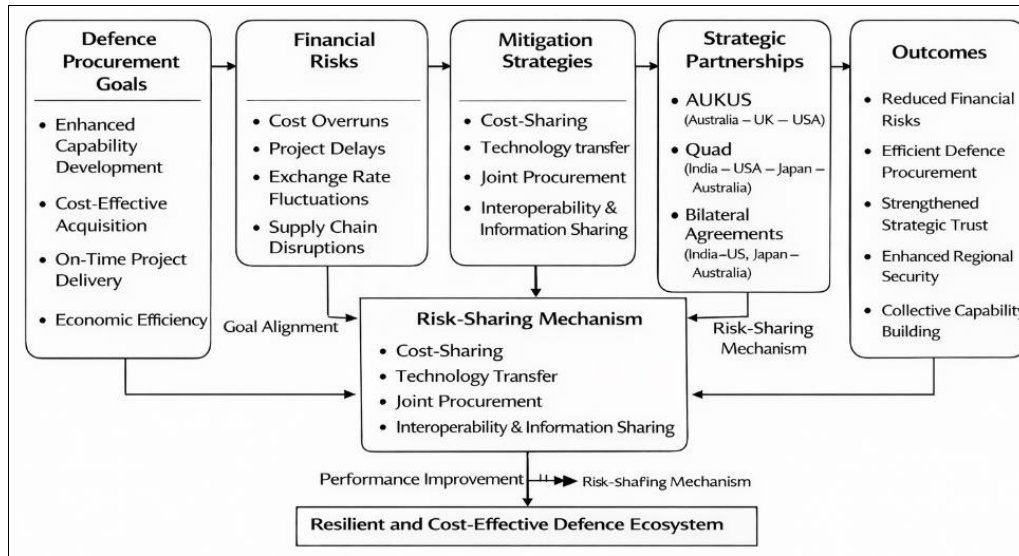


Fig 8: Integrated Framework of Defence Procurement, Financial Risk, and Strategic Partnerships

Fig 8 provides a depiction of an integrated model that seeks to combine the objectives of defense procurements, risks management, and collaboration within the Indo-Pacific Region. The fig shows the connection between risk mitigation measures and collaboration within defense procurement process, which can be connected to collaboration because it indicates the significance of collaboration in mitigating financial risks in order to increase efficiencies in defense procurement processes.

Discussion

The findings of the study that reveal the still existing inefficiencies in procurement (cost overruns over 20% delays 15-30) and the high-level of financial risks (exchange rate fluctuations, supply chain dependencies) in the key Indo-Pacific defence spenders are quite consistent with the current literature. The mentioned structural problems, such as bureaucratic inflexibility and inter-agency coordination failures, are aligned with the works of Rajagopalan (2020) and Rimmer (2020) [23, 24] about the Indian setting, and the comparative research of Soni *et al.* (2025) [26] on the same issue, demonstrating the issue of the rigidity of procedures in developing economies. Further, it was found that financial risk has been geopolitical and supply chain vulnerabilities, and not operational failure, as Korkmaz (2024) [16] argues defence supply chain resilience, or the inadequacy of traditional risk assessment models in the environment of the rapid technological change as Bardt (2024) [4] indicates. However, even though other researchers, including Florișteanu (2023) [9] had the same issue by attributing contract management delays as an important risk factor, the current study goes the extra mile by measuring the total impact of a number of, interacting risk drivers on a single regional setting (e.g., exchange rates and delays), something the current qualitative literature did not often do. Among the key innovations of the study is the empirical basis of the role of strategic partnerships, that is, AUKUS and the Quad themselves, as the suppressor and creator of financial risk. The fact that these kind of partnerships can increase the efficiency of procurement by an estimated 10-15 percent because of the cost and technology sharing justifies the positive burden-sharing and capability-enhancement assertions of Wang and Wang (2026) and Christie *et al.* (2023) [7, 30]. The example of AUKUS as an

agent of access to advanced technologies such as nuclear submarine technology is confirmed as one of the major risk-reduction levers. Conversely, the threats of dependency, escalatory pressures, and political misalignment, also cited by Kundu (2021) and Leonova (2022) [17, 18] also have their say as confirmed by this study. Unlike most of the earlier studies, the study has not differentiated the geopolitics and the financial management of alliances, but has provided an integrated, holistic description that demonstrates that these relations are a two-sided sword: it redistributes but does not in any way eradicate systemic financial risks and introduces new dependencies and coordination costs (e.g., Table 3). Such a unified perspective directly addresses the gap in the studies outlined by Hartley (2020) and Mohammadi *et al.* (2025) [11, 21] in that it goes beyond the sectoral perspective and offers a more realistic and interconnected assessment of defence cooperation in the Indo-Pacific.

Conclusion

This study confirms that despite the fact that defence expenditure in the Indo-Pacific region has increased dramatically over the years, in the period between 2010 and 2021 with China in the lead over the other states, the structural shortcomings and financial uncertainties persist and affect the efficiency of the procurement. In the analysis, the cost overruns of more than 20 percent and project delays of between 15-30 percent are the norm and the exchange rate fluctuations and dependence on the supply chain, particularly in the countries that rely on imports. Notably, the paper establishes that these procurement and financial risk issues are not technical or managerial issues but are very much interwoven with the dynamic geopolitical and strategic landscape of the region. Financial burdens can be shared because strategic alliances (such as AUKUS or the Quad) can contribute to spreading costs, accessibility to technology, and allow better coordination, which can increase procurement efficiency by 10-15 percent, but also new dependencies, complexity in coordination, and commitments.

The greatest implication to the policymakers is that the defence procurement, financial risk management and strategic cooperation cannot be addressed independently. The remedy is a combined policy framework wherein it utilizes lifecycle cost planning, effective risk evaluation,

institutional co-ordination, diversification of its supply chain and indigenization to reduce external vulnerabilities. The theoretical input of the research is that it combines the theory of risk governance, theory of defence economics and strategic alliance theory to demonstrate that financial risks are shaped by geopolitical realities and alliance processes. Though limited by the utilization of secondary sources and the inability to reflect on how emerging technologies will impact defence procurement and financial risk, the study will offer a foundation on how future quantitative and country-specific research and studies on the role of emerging technologies on defence procurement and financial risk can be implemented.

Theoretical Contributions and Future Research Directions

It is also a contribution to theory as it brings together defense procurement, financial risks, and strategic alliances in one concept. The results obtained through this research prove that defense procurement problems and financial risks are not only a technical issue but rather they are shaped by the geopolitical environment. This research has been able to add to the theoretical understanding in its development of risk governance as a concept whereby financial risks are viewed as a strategic imperative based on the nature of relationships, alliances, and technology. Finally, the research has been able to apply strategic alliances concept to show the ability of military alliances like AUKUS and Quad to handle risks and generate new ones.

There are a number of ways in which this research could be expanded further in the coming days. For example, the relationship can be studied using quantification techniques. At a country level, best practices can be determined concerning procurement and risk management. The implications of new technology within the defense industry and strategic alliances in the Indo-Pacific region could also be studied.

References

1. Abiodun TF, Asaolu AA, Ndubuisi AI. Defence budget and military spending on war against terror and insecurity in Nigeria: Implications for state politics economy and national security. *Journal DOI*,2020;6(7):344-351.
2. Anantharajah K, Setyowati AB. Beyond promises: Realities of climate finance justice and energy transitions in Asia and the Pacific. *Energy Research & Social Science*,2022;89:102550. <https://doi.org/10.1016/j.erss.2022.102550>
3. Atanassova-Cornelis E. Alignment Cooperation and Regional Security Architecture in the Indo-Pacific. *The International Spectator*,2020;55(1):18-33. <https://doi.org/10.1080/03932729.2020.1712132>
4. Bardt H. Industrial Policy and a Single Market for Defence Goods. *Intereconomics*,2024;59(6):332-337. <https://doi.org/10.2478/ie-2024-0065>
5. Becker J. The economics of the global defence industry: Edited by Keith Hartley and Jean Belin, London and New York, Routledge, 2020, xxiii+615 pp., £150.00, (hardback), ISBN 978-1-138-60809-2. *Defence Studies*,2020;20(3):292-293. <https://doi.org/10.1080/14702436.2020.1774368>
6. Borchert H, Schütz T, Verbovszky J, editors. The Very Long Game of Defense AI Adoption: Introduction. In: *The Very Long Game: 25 Case Studies on the Global State of Defense AI*. Springer Nature Switzerland, 2024, 1-38. https://doi.org/10.1007/978-3-031-58649-1_1
7. Christie EH, Buts C, Du Bois C. Demand for Military Expenditures and Security Alignment Choices in the Indo-Pacific. *Defence and Peace Economics*,2023;34(5):581-602. <https://doi.org/10.1080/10242694.2022.2073430>
8. Dorman A, Uttley M. Defence spending and procurement in the United Kingdom. In: *Research Handbook on the Arms Trade*. Edward Elgar Publishing, 2020, 193-207. <https://www.elgaronline.com/abstract/edcoll/9781789900989/9781789900989.00022.xml>
9. Florișteanu E. Military and Defence Expenditures in the Current Security Context. Concepts and Influencing Factors. *Scientific Bulletin*,2023;28(2):194-204. <https://doi.org/10.2478/bsaft-2023-0019>
10. Gopalakrishnan S, Sankaranarayanan S. Cooperative Security Against Interdependent Risks (arXiv:2201.04308). *arXiv*, 2023. <https://doi.org/10.48550/arXiv.2201.04308>
11. Hartley K. *Defence economics: Achievements and challenges*. Cambridge University Press, 2020. <https://www.cambridge.org/core/elements/defence-economics/80BB9CF06BC75C1D27286FFFFED306CD>
12. Heiduk F, Wilkins T. Minilateralism and pathways to institutional progression: Alliance formation or cooperative security governance? *Australian Journal of International Affairs*,2024;78(6):808-827. <https://doi.org/10.1080/10357718.2024.2416566>
13. Hellberg R, Sprängare D, Candell O, Carpenfelt C, Lundberg K, Samuelsson P, *et al.* Performance constraints in defence industry supply chains: Evidence from case studies. *Defence and Peace Economics*,2025;36(8):1078-1113. <https://doi.org/10.1080/10242694.2025.2500362>
14. Hood D. Risk Management or Risk Myopia: Changing the acquisition risk management mindset of the Australian Defence Force. *Contemporary Issues in Air and Space Power*,2024;2(1):bp39360470.
15. Ilchenko OV, Brusakova O, Burchenko Y, Yaroshenko A, Bagan Y. The role of a defence industry in the system of national security: A case study, 2021. <https://essuir.sumdu.edu.ua/items/5e03efdd-5b81-4bba-a5f9-1a4d1626b3ee>
16. Korkmaz G. Supply chain risks and management strategies in the defense industry. *Journal of Defense Resources Management*,2024;15(1):35-60.
17. Kundu O. Risks in Defence Procurement: India in the 21st Century. *Defence and Peace Economics*,2021;32(3):343-361. <https://doi.org/10.1080/10242694.2019.1646443>
18. Leonova O. The impact of the strategic partnership AUKUS on the geopolitical situation in the Indo-Pacific region. *International Organisations Research Journal*,2022;17(3):194-211.
19. Medcalf R. *Indo-Pacific Empire: China, America and the Contest for the World's Pivotal Region*. Manchester University Press, 2020.
20. Miloradović NM. Contemporary security challenges and their impact on the increase of the military

- spending and the budget for the development and procurement of weapons and military equipment. *Vojno Delo*,2023:75(3):30-47.
21. Mohammedi W, Mgadmi N, Abidi A, Moussa W. The impact of the digital economy on sustainable development in the face of geopolitical risks. *Digital Economy and Sustainable Development*,2025:3(1):1. <https://doi.org/10.1007/s44265-024-00050-5>
 22. Niazi ZA. Future of Maritime Security: Navigating Complex Waters in the Indo-Pacific. *Journal of Indo-Pacific Affairs*,2024:7(2). <https://search.ebscohost.com/login.aspx?direct=true&profile=ehost&scope=site&authtype=crawler&jrnl=25765361&an=176111857&h=gio57ruzfa2j36z9l8lcjrtdy3nxky0qw4ugpn52di9h25jwcpvgvotm85ruzmfobgdofd8ylcvst%2fenq8j2a%3d%3d&crl=c>
 23. Rajagopalan R. Evasive balancing: India's unviable Indo-Pacific strategy. *International Affairs*,2020:96(1):75-93.
 24. Rimmer SH. How to Defend Australians: A Heterodox Approach. *Fresh Perspectives in Security*, 2020, 13.
 25. Sinha S. India's Military Modernisation: Role and Impact of France. *Journal of Asian Security and International Affairs*,2023:10(3):325-341. <https://doi.org/10.1177/23477970231207256>
 26. Soni R, Schimmel K, Slack F, Nicholls J. India's Entrepreneurial Awakening: Navigating Geopolitical Shifts and Domestic Policy Reforms. *Administrative Sciences*,2025:15(4):122. <https://doi.org/10.3390/admsci15040122>
 27. Stadler L. The twilight struggle: What the Cold War teaches us about Great Power rivalry today: Hal Brands, (New Haven: Yale University Press, 2022), ix + 318 pp. *Cold War History*,2023:23(1):212-215. <https://doi.org/10.1080/14682745.2022.2077988>
 28. Tan AT. Asia: Defence spending and procurement. In: *Research Handbook on the Arms Trade*. Edward Elgar Publishing, 2020, 208-225. <https://www.elgaronline.com/edcollchap/edcoll/9781789900989/9781789900989.00023.xml>
 29. Tian N, Kuimova A, Da Silva DL, Wezeman PD, Wezeman ST. Trends in world military expenditure, 2019. <https://www.jstor.org/stable/pdf/resrep24438.pdf>
 30. Wang X, Wang S. Risk tolerance and domestic nationalism response demand: Explaining South China Sea claimants' responses to China (2010–2025). *The Pacific Review*,2026:1-34. <https://doi.org/10.1080/09512748.2026.2615114>
 31. Korkmaz G. Supply chain risks and management strategies in the defense industry. *Journal of Defense Resources Management*,2024:15(1):35-60.
 32. Kundu O. Risks in Defence Procurement: India in the 21st Century. *Defence and Peace Economics*,2021:32(3):343-361.
 33. Leonova O. The impact of the strategic partnership AUKUS on the geopolitical situation in the Indo-Pacific region. *International Organisations Research Journal*,2022:17(3):194-211.
 34. Mohammedi W, Mgadmi N, Abidi A, Moussa W. The impact of the digital economy on sustainable development in the face of geopolitical risks. *Digital Economy and Sustainable Development*,2025:3(1):1.
 35. Rajagopalan R. Evasive balancing: India's unviable Indo-Pacific strategy. *International Affairs*,2020:96(1):75-93.
 36. Rimmer SH. How to Defend Australians: A Heterodox Approach. *Fresh Perspectives in Security*, 2020, 13.
 37. Soni R, Schimmel K, Slack F, Nicholls J. India's Entrepreneurial Awakening: Navigating Geopolitical Shifts and Domestic Policy Reforms. *Administrative Sciences*,2025:15(4):122.
 38. Wang X, Wang S. Risk tolerance and domestic nationalism response demand: Explaining South China Sea claimants' responses to China (2010–2025). *The Pacific Review*,2026:1-34.