Asia Society Australia

DISRUPTIVE ASIA 2018

ASEAN Special Edition

About Asia Society Australia

For over 60 years globally and 20 years in Australia, Asia Society has been building bridges of understanding between leaders and change-makers of Asia, Australia, and the United States.

Asia Society Australia – part of Asia Society, a global non-profit organisation and the leading force in advancing a deeper global understanding of Asia through arts, education, policy and business – is Australia's leading national centre for engagement with Asia.

Asia Society Australia was launched in 1997 by then Prime Minister John Howard to broaden interest and understanding in Australia of Asian countries and their politics, business and culture. The establishment of Asia Society Australia was led by Hugh Morgan AC (then CEO of WMC Limited) and Richard Woolcott AC (former Secretary of the Department of Foreign Affairs and Trade) in recognition of the need to promote greater understanding about the countries, peoples, and cultures of Asia and the Pacific region.

Founded in 1956 by John D. Rockefeller 3rd, Asia Society is a non-partisan, non-profit institution with headquarters in New York, and centers in Hong Kong, Houston, Los Angeles, Manila, Mumbai, San Francisco, Seoul, Shanghai, Melbourne and Sydney, Tokyo, Washington, DC, and Zürich. Across the fields of arts, business, culture, education and policy, Asia Society provides insight, generates ideas, and promotes collaboration to address present challenges and create a shared future.

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About Disruptive Asia

Disruptive Asia is a thought-leadership project by Asia Society Australia launched in 2017 to celebrate Asia Society's 20th anniversary in Australia.

It presents – through long-form essays – new perspectives and policy recommendations on how Asia's rise is impacting Australia's foreign policy, economy and society and how Australia should respond. *Disruptive Asia* deliberately looks at both external aspects of Australia's relationship with Asia (foreign policy, business connectivity, international education) and their domestic implications and manifestations (community relations, leadership diversity, education settings and capabilities).

The Asia debate has long ceased to be an exclusive intellectual domain of foreign policy and business elite. Asia's ascendancy and the resulting geopolitical, geoeconomic, demographic and social shifts affect virtually all facets of Australian life. *Disruptive Asia* is a humble attempt to re-start the conversation about the impact of Asia on Australia and our place in the region, and broaden, deepen and bring together the community of those who debate these issues.

As always we welcome your feedback and contributions.

Philipp Ivanov

Chief Executive Officer
Asia Society Australia

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Foreword

Dear Asia Society Australia Members, Supporters and Friends,

In March this year, ten leaders of the Association of South-East Asian Nations (ASEAN) member states and the Secretary-General of ASEAN met in Sydney for the historic ASEAN-Australia Special Summit.

It was one of the largest gatherings of Asia's leaders in Australian diplomatic history, and the first time Australia hosted such a forum on its shores.

It was in essence a culmination of decades of intensive economic, diplomatic and people-to-people engagement between ASEAN and Australia. Since 1974, when Australia became ASEAN's first dialogue partner, our engagement with ASEAN has been based on shared values of rules-based order, economic connectivity and openness. These values underpin a breadth and depth of our relationship. Trade with ASEAN represents 15% of Australia's total trade, making the block one of our top three trading partners. Australia is currently educating around 100,000 students and welcomes over one million visitors from ASEAN each year. Over 896,000 Australians identified their heritage from ASEAN nations in the 2016 Census.

The Special Summit was an opportunity to take stock of our cooperation, but also to take our partnership forward in this age of disruption and interdependence. Our shared region – Asia – continues to be a centre of economic dynamism presenting significant trade, investment and economic development opportunities for Australia and ASEAN. It is also the region that is increasingly contested strategically and more competitive economically, with the rise of China and India, territorial disputes, North Korea's nuclear threat, US-China competition and old animosities and new disruptions caused by the digital revolution, forced migration and rival visions for the region's strategic and economic order.

Asia Society was pleased to support and contribute to the Special Summit. It is a privilege to share with you our special ASEAN edition of our thought-leadership series *Disruptive Asia*.

Asia is changing rapidly. How well we - as a nation within it – grasp the nature of these changes will be largely dependent on how well we know and how comprehensively we interact with our neighbours to the north.

In the best tradition of the series, *Disruptive Asia's* ASEAN edition explores multiple dimensions of Australia's engagement with South East Asia – from defence and security, forced migration and economic connectivity to our own linguistic and cultural competencies to interact with this diverse region. This edition gives voice to both experienced and emerging experts, many of whom will lead our national Asia debate in the near future.

Philipp Ivanov

Chief Executive Officer
Asia Society Australia

GREG EARL

Australia and a region in the making

Australia can't turn away from the challenges and shouldn't miss the opportunities that such a diverse region as South-East Asia will keep presenting.

For a sudden change in the zeitgeist in South-East Asia it is hard to go past the remarkable scene on May 10 this year. Then ninety-two-year Mahathir Mohamed was declaring his own return to power by explaining Malaysia's electoral procedure in his deceptively soft-spoken but steely old doctor's manner. "You are all clapping. The King is not required to clap, he is required to sign," the once and future prime minister explained to a country which had not felt the need to prepare for a change of government but was now worried about whether it would actually happen. "That is what the provision of the Constitution says. It doesn't say, 'I like you, I don't like you, I love you'," the world's oldest elected leader explained to nervous applause.

With its diverse cultures, economic development levels and political practices, South-East Asia has an infinite capacity for surprise, not least for neighbours like Australia prone to missing the wood for the trees in such a polyglot region. Malaysia's election has been a classic case in point by challenging the emerging new political science thesis that South-East Asia may be a region which goes through the motions of democracy without ceding much change in power. Thailand's long delayed return from military rule, Cambodia's no opposition party poll and a Filipino vice-president isolated from government decision making have all lent weight to this thesis.

When Australia capped more than four decades of diplomacy with the Association of South-East Asian Nations (ASEAN) in March with a rare summit of regional leaders outside the region in Sydney, it was then Malaysian Prime Minister Najib Razak who unexpectedly stole the show with a most-unASEAN public attack on Myanmar State Counsellor Aung San Suu Kyi. His complaint about the flood of almost one million Muslim Rohingya people from Myanmar into Bangladesh raised two big questions about South-East Asia's capacity to act like the coherent region which is increasingly promoted as the third leg of global growth after China and India. How could it be seen to be living up to that global scale economic and diplomatic potential when it was failing to collectively deal with its worst human rights crisis in a generation? And how could it live up to the same potential when one of the longest serving leaders was suddenly happy to attack a fellow leader because it suited his increasingly desperate attempts to fuel Malay Muslim nationalist sentiment at home amid a tough election fight?

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But in September a very different vision of South-East Asia was unfolding in the traffic congested streets of Hanoi and Ho Chi Minh City. A company built on the pillion seats of Indonesia's ubiquitous motorcycle taxis was firing the opening shots of a battle royale for the hearts and wallets of more than 600 million mostly youthful consumers suddenly empowered by digital technology. Indonesia's first unicorn[1] tech start-up and ride-hailing business Go-Jek – now valued at $5 billion – took its biggest step out of its home market in a competition to become the region's dominant consumer services and cash payments platform.

This is a battle which has attracted investment from technology giants in Japan, China and the US. Go-Jek's US$10 billion Singapore-based rival Grab is already more active across the region but faces a challenge dislodging Go-Jek in Indonesia, the country with the biggest potential demographic dividend of youthful consumers and workers. The regional internet economy is forecast to be worth more than US$200 billion by 2025 changing the way business is done and possibly achieving a sense of regional integration that has often eluded trade negotiators and diplomats despite half a century of planning. According to a Google-Temasek study South-East Asian people spend more time on their mobile phones each day than people from other regions in the world and twice as much time in ecommerce marketplaces than Americans.

These vignettes from a brief few months of tumult – political, human and technological – emphasise how this region is entering a challenging new phase of modernity after the dramas of decolonisation and the hubristic high economic growth of the Asian Tiger era. Beyond the glittering shops of Bangkok's Siam Paragon Mall and the endless blue horizon of the infinity pools in Nusa Dua, an old culture of patrician and authoritarian politics and business is under pressure from a new generation of digitally empowered consumers. Grab, messaging app Line and discount airline Air Asia are the real new arteries of a region that is torn between the promise of greater ASEAN integration and domestic social challenges that are forcing most leaders to look more inward.

This region is entering a challenging new phase of modernity after the dramas of decolonisation and the hubristic high economic growth of the Asian Tiger era.

All this is happening at Australia's front door on a scale that is increasingly impossible to ignore in an exemplar of why Asia Society Australia has chosen South-East Asia for the second volume of this aptly named *Disruptive Asia* series of essays. These essays were commissioned to reflect on some of the challenges and opportunities that were debated on the official agenda or the many sideline events of the ASEAN Australia Summit in March. One statistic neatly captures how South-East Asia will inevitably

[1] A unicorn is valued at US$1 billion.

loom larger in Australia's sense of place and engagement with the broader region for better or worse. When Australia opened diplomatic relations with its South-East Asian neighbours four decades ago, its economy was about one third bigger than the combined production of all five then members of the newish Association of South-East Asian Nations (ASEAN). Now looking forward about the same distance into the future, four of those original countries (Indonesia, Thailand, Malaysia and the Philippines) plus Vietnam are each forecast to be economically larger than Australia.

The essays by a diverse cross section of commentators and participants in the ten (or perhaps 11 with Timor Leste) country region touch on a wide range of subjects. But they tend to be unified by the idea that Australia can't turn away from the challenges and shouldn't miss the opportunities that such a diverse region will keep presenting. Indeed, while diversity makes turning South-East Asia into an ASEAN region quite challenging, it also means opportunities keep arising for Australia to cooperate with individual countries. The capacity for shifting bilateral relationships within the overall engagement with ASEAN over time was demonstrated by Australia's commitment in March to a Strategic Partnership with Vietnam, once an enemy but now a growing trade and diplomatic interlocutor. Cat Thao Nguyen writes in her essay about a generational shift in the Vietnamese refugee population towards more engagement with their country of origin which is underpinning the new bilateral diplomatic relationship.

The ecommerce conundrum is a deliberately strong theme in these essays with Helen Brown recounting how Indonesian tech leaders are shopping for engineers and ideas in fields such as agtech in Australia but wonder whether the DNA to compete in their dynamic market will be found. However, Bede Moore, back from running an Indonesian online delivery platform, says the digital disruption process underway in the region provides a new entry point for Australian business. While not ignoring the consumer market opportunities, David Burns notes that the world beating social media usage annual growth rates in the region mean that Australians should also remain focussed on the infrastructure development opportunities as well as the consumer app developments. But in a nice rejoinder to this digital optimism, Aim Sinpeng asks how Australia will square its professed commitment to internet freedom with rising cyber illiberalism in the region.

Australia has done well in integrating with South-East Asia's trade architecture with a web of regional and bilateral links, Indonesia the most recent edition only this year. Louise McGrath widens the lens by focussing on Australia's cooperation with ASEAN members to finalise the 18-member Regional Comprehensive Economic Partnership agreement. This would cement supply chains across the world's fastest growing region, but she wonders whether RCEP will be up to the task of facilitating the digital economy. Anna Green takes an equally challenging big picture view by asking whether an integrated ASEAN market will become Australia's next China – and she provides a checklist drawn from on the ground business experience in China. Peter Osborne also brings extensive on the ground practical experience to this business debate combined with insights into how rapid development is transforming South-East Asian attitudes to health and wellness products. He sees the opportunity for a genuine two-way conversation about modern and traditional medicine ranging from managing ageing populations to harmonisation of regulatory standards. Shamim Razavi rounds out this business discussion with a different take on the often cited Australian business reluctance to invest in Asia due to legal uncertainty. He calls for more development aid spending on legal system staff training but also argues that a body of authoritative commercial legal practice is emerging in South-East Asia which investors need to understand.

While diversity makes turning South-East Asia into an ASEAN region quite challenging, it also means opportunities keep arising for Australia to cooperate with individual countries.

Sandra Seno-Alday's essay provides a bridge between this business discussion and the region's broader demographic challenge to provide opportunities for its women to flourish in the workforce and elsewhere. She points out the little appreciated fact that women already have better workforce participation rates in this region than other regions of the world and the highest proportion of female entrepreneurs. She suggests these women bring different approaches to business due to their gender, family and financial circumstances but could do well out of digital disruption providing a "glimpse into the socio-economic future of South-East Asia." Kelly Gerard is less confident of this having looked at many existing women's empowerment programs that don't address the specific needs of women.

It is hard to conduct a broad discussion of Australian engagement with Asia without reopening the vexed

issue of lacklustre language education and skills or, in the case of successful language students, poor employment prospects. Michelle Kohler and Kathleen Turner focus on Indonesian as the most widely spoken language in the region and the one that has had the greatest roller roaster ride of deflated expectations across the Australian education system. Turner says the country should have a language strategy and investment equal to its focus on trade deal negotiation. She says a new multi-polar security environment will leave Asian language deficient Australia exposed. Kohler says Australia's pride in its multiculturalism should be viewed through the prism of its poor embrace of multilingualism.

One of the little appreciated consequences of the arrival of a restless, digitally literate regional population has been the facilitation of irregular people movement in pursuit of employment or safety from human rights abuses. But social media has also brought this movement more readily to the attention of the broader region and world making it a challenge for ASEAN integration and the credibility of regional leaders. Melissa Crouch argues that the Rohingya refugee crisis can only be resolved by deeper regional engagement rather than isolation or detachment, and this applies to Australia's responsibility as well. Meanwhile Savitri Taylor identifies how the Rohingya mass evacuation is but the largest of several irregular people movement challenges and Australia should recognise this by shifting its focus from hard border protection to a broader regional plan to deal with the problem.

Whether the South-East Asian countries high growth trajectory (which attracts business) remains or not, they are destined to play a bigger role in a more multi-polar regional security arrangement to deal with the rise of China and the relatively less prominent role of the US. ASEAN is at the center of much regional security architecture and at the cross roads of the new Indo-Pacific construct. Doug Ferguson says the New Colombo Plan needs long term nurturing as an Australian bridge to the region. Geoff Raby sets out a detailed plan for Australia to develop a hedging strategy with ASEAN neighbours to manage the rise of China. Huong Le Thu questions whether most of the region has given up on trying to shape a more equal relationship with a rising China. And Natalie Sambhi drills down further into the Indo-Pacific policy-making debate by exploring the opportunities for maritime cooperation amongst Australia, Indonesia and the Philippines.

It says something about the diversity of the countries and breadth of issues facing contemporary South-East Asia that the two smallest countries Brunei Darussalam and Laos have so far not been mentioned in this introduction.

The March ASEAN Summit set up a new agenda for Australia's relationship with the countries of South-East Asia and the collective ASEAN group from the new partnership with Vietnam to a series of cooperation programs from city renewal to coordinated terrorism laws. But it was at the very end of the gathering that Laotian Prime Minister Thongloun Sisoulith most evocatively captured the potential for Australia to engage with the region. He said the Australian aid funded Mekong River bridge crossing between his country and Thailand in the early 1990s – which he helped negotiate – had simply transformed his nation by turning it from a land-locked to a land-linked county. In retrospect this was a matter of the right idea at the right place at the right time. It is in the spirit of that sentiment from an overlooked corner of South-East Asia that these essays offer a road map for re-engagement with the whole region.

Greg Earl *is editor of Asia Society Australia's Asia Briefing.*

GEOFF RABY

More engagement with ASEAN is Australia's best hedge in Asia

This convergence of interest between South Asia and Australia in the face of China's rise provides an opportunity for Australia to develop with its neighbours a hedging strategy for managing China while providing strategic space for its continued rise.

Australia's diplomacy in recent years can at best be described as underwhelming, if not at times inimical to Australia's national interests. In March, however, the presence of ASEAN Heads of Government in Australia, meeting at then Prime Minister Malcolm Turnbull's initiative, was an important event. It is to be hoped that it will mark a return by Australia to its previous middle-power role in the Asia-Pacific region.

In the past, Australia has led high-profile regional initiatives which have involved it working constructively and cooperatively with ASEAN states individually and collectively. These have included the establishment of the Asia Pacific Economic Cooperation group, the creation of the APEC Summit, the Cambodian Peace Settlement and the Bali Process on People Smuggling. Each is a legacy of Australia's three recent "foreign-policy" Prime Ministers – Hawke, Keating and Howard. Turnbull's summit may be his only foreign policy legacy.

Ten years ago the idea of ASEAN's leaders meeting in Australia would have been laughable. Australia has always been seen by ASEAN as an outsider in the Asia-Pacific region, notwithstanding our massive economic integration and our valuable cooperation across defence, counter-terrorism, people smuggling, organised crime and disaster relief. ASEAN members have always sought to protect the integrity of the group and to make it central to East Asian affairs.

Australia's liberal democracy with a robust independent media that criticises regional governments for abuses of human rights or for ethnic discrimination sits awkwardly with the more authoritarian political systems of our neighbours. Successive Australian Governments have sought to navigate a way through this with varying degrees of success. Former senior diplomat Dick Woollcott famously described Australia as the "odd-man-in" in Asia. But we were never comfortable with being an insider and neither was ASEAN with having us there.

The change in ASEAN's attitude towards Australia is attributable to the rise of China.

Australia is now having a debate that it has needed to have for a long time over the rise of China. Heated, and often abusive, domestic arguments over foreign interference laws are a distraction. The real issue is with China's rise and increasing weight in the East Asian region, and Australia response to the changed regional order.

The problem with China is that as a great power its internal means of political and social organisation stand far from the global norms. In a world where China's influence is prevalent, we can expect much less attention to human rights, for example, or with international norms that it believes were created by developed nations without its participation. China is also adopting more assertive and at times aggressive foreign policy positions. It has taken to settling for itself disputed territorial issues in the South China Sea with unilateral action.

Countries in East Asia need to find ways to manage the risks, militate against bad behaviour by China and encourage constructive engagement with China that accommodates China's rise but not at the expense of its regional neighbours.

One response has been to try again to breathe life into the so-called Quadrilateral Dialogue of Democracies, involving Japan, India, the US and Australia. As its original name suggests, it is an ideologically defined grouping intended to balance China. Not surprisingly, Beijing for its part sees it as being intended to contain China.

Countries in East Asia need to find ways to manage the risks, militate against bad behaviour by China and encourage constructive engagement with China that accommodates China's rise but not at the expense of its regional neighbours.

Australia has become a vocal advocate for this group. The difficulty, however, is that three of its members are China's strategic rivals, whereas Australia is not. Two – India and Japan – also have active border disputes with China. Moreover, other major democracies in the region which also are not China's strategic rivals, such as South Korea, Philippines and Indonesia, are not included. It is therefore disingenuous to try to pass off the so-called Quad as merely a discussion group of like-minded countries.

A hedging strategy is better than trying to contain China

Rather than seeking to balance or contain China, which is only likely to be self-defeating as China will feel compelled to push back against this, a hedging strategy involving China's maritime neighbouring states which are not strategic rivals is a better option.

Australia should be clear and explicit about what it intends to do with such a strategy, which is to encourage China to adhere to rules and norms in the region that seek to minimise conflict. We should also explore ways to make new rules in the region and create new regional architecture which reflects contemporary realities.

China has shown it is open to rule making and the creation of new multilateral institutions. The Asia Infrastructure Investment Bank (AIIB) is an example of this and points the way to new possibilities. China could have achieved all the objectives of the AIIB by itself acting unilaterally, and it does do this as well.

Instead, with the creation of the AIIB, Beijing decided to bind China in a new set of multilateral rules and disciplines.

The creation of the AIIB was largely in response to the refusal of the old developed powers to reform the IMF and World Bank to reflect the new realities of the contemporary global distribution of economic power. The confusion in the Australian government's foreign policy in responding to China's rise was highlighted by its fumbling of the issue of AIIB membership. While it did manage to scramble and become a founding member, Australia joined well down the list.

An effective hedging strategy will have several strands. It is messier to execute than a grand grouping like the Quad and, as such, will require skilful and energetic diplomacy. For Australia, as it already is for Singapore, close cooperation in the region on how to respond to China's rise need not be mutually exclusive of maintaining the traditional security relationship with the US. Indeed, that relationship is essential for any successful hedging strategy.

Collectively, ASEAN is the most obvious body with which Australia should engage on a China-hedging strategy.

Australia already has close bilateral relations with countries in the region, such as Japan, the Republic of Korea, Indonesia and Singapore. These will need to be sustained and deepened, including where they do not already occur, with bilateral military-to-military exchanges and exercises. The recently-concluded bilateral military arrangement with Vietnam is an excellent case in point. The Australian military is actively engaged in assisting the Philippines army deal with the insurgency threat in the south of the country. This should lead to longer and more enduring forms of bilateral military cooperation.

A major challenge for Australia, however, is that many of the governments in the region have dubious democratic and human rights credentials. An effective hedging strategy will require Australia to work closely with governments that we do not like. Many of these states are susceptible to China's influence.

Collectively, ASEAN is the most obvious body with which Australia should engage on a China-hedging strategy. Australia does not need to join ASEAN formally for it to add substantial geo-political weight to ASEAN and ASEAN to Australia. Already there is the ASEAN "plus" processes and the ASEAN Regional Forum.

Australia's regional relationships have been uneven

A hedging strategy focussed on our area of immediate strategic interest, East Asia, should seek to strengthen and broaden each of our individual bilateral relationships across South-East Asia as well as work with ASEAN collectively.

Australia's relations are of uneven quality. We have close and deep relations with some, but the depth of the relations tails off fairly quickly. We are also often inconsistent in how we manage relationships. We embraced former Philippines President Benigno Aquino, especially after his strong stance against China in the South China Sea encouraged by the Obama Administration, but have allowed the relationship to cool in response to our concerns over President Rodrigo Duterte's human rights abuses in his anti-drug campaign, while supporting anti-insurgency efforts in Mindanao.

Balancing these complex elements – moral convictions and security in the case of the Philippines – is an unfamiliar challenge for Australia's diplomacy. Finding carefully nuanced trade-offs will be necessary if we are to build more robust and enduring close relationships across the region. Building trust will require deft statesmanship at the highest levels. Consistency in our policies and public statements will be a key to this, something we have not been particularly good at.

Sensibly, we have strengthened and broadened relations with Vietnam but have neglected other parts of South-East Asia. Incredibly, an Australian prime minister has not made a bilateral visit to Thailand, as distinct from attending a multilateral, since the late 1990s.

Other front-line states facing China's immediate influence, such as Laos and Cambodia, have similarly been neglected. Australia was quick to support the democratic renewal in Myanmar but equally quick to cool its ardour in the face of human rights abuses of ethnic minorities.

Mahathir Mohamad's return to power in Malaysia has seen him push back quickly against China with the review or cancellation of major infrastructure projects.

All countries in the region are trying to work out how to accommodate China's rise while not undermining their sovereignty. They recognise that China is now and will continue to be the dominant power in the region. In an important respect, they are like Australia. They all seek China's markets and

investment but are trying to work out how to manage its overweening influence.

This convergence of interest between South Asia and Australia in the face of China's rise provides an opportunity for Australia to develop with its neighbours a hedging strategy for managing China while providing strategic space for its continued rise.

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A key element of such a strategy would be realistic solidarity. This means that while allowing for the reality that each country's interests will prevail in its dealings with China, beneath this China should know that if it pushes hard against one it would be pushing hard against all and would be resisted by all. It will take a lot of diplomatic effort to achieve this.

The South China Sea is a case in point. A co-ordinated position from the region, including Australia, would have had much more impact in Beijing than various individual responses. While Laos and Cambodia, and perhaps Thailand, would not have engaged actively, concerted diplomacy across the region may have been able to develop a coordinated position.

If Australia's security is truly under challenge from China – which itself is not self-evident and thus needs to be argued by those who claim it to be – then Australia needs to work much harder, more creatively and more skilfully on its relations with South-East Asia.

A policy framework for an ASEAN hedging strategy

1. Continuing with ASEAN plus One (Australia) engagement, including hosting more ASEAN meetings in Australia to build habits of cooperation and consultation and over time policy coordination around challenges to regional stability.

2. Engage more directly, consistently and actively with major ASEAN states bilaterally on strategic challenges created by China's rise, including more frequent prime minister and foreign minister visits to build a greater sense of strategic trust.

3. Such engagement should include annual meetings between foreign and defence ministers.

4. We should be clear, direct and open with China about our intensified engagement with ASEAN collectively and with its individual members and what the purpose of our hedging strategy is and is not. It is not about containing or balancing China, nor is it based on ideological premises, but rather it is a pragmatic response by China's maritime neighbouring states to their legitimate concerns that China as the major power in the region behaves in ways that respect the interests of the region's smaller states.

5. Initiate discussion with key ASEAN states on a possible new regional security mechanism. In 2008, former Prime Minister Kevin Rudd floated the idea of an Asia Pacific Community which would have, in effect, introduced formal discussion of security issues into APEC – or combining economic and security issues in the same forum. The idea was floated ahead of consultations with regional partners and ASEAN was immediately suspicious that it would – by design or inadvertently – marginalise ASEAN.

   The East Asian Security Cooperation Conference (EASCC) might initially comprise ASEAN, Australia and the Republic of Korea, with the US, China and Japan as observers. Once established, with a settled structure and work streams, and had demonstrated its worth, membership issues could be re-visited.

   EASCC would preferably adopt a wide definition of "security" to include, for example, traditional areas of armament and disarmament; non-state actors; energy; resources; transportation; food; environment; and economic matters.

   It would require considerable diplomatic agility and consultation. It should be a bottoms-up process, proceeding on the basis of dialogue and confidence building.

   EASCC's primary objective would be to build mutual trust in East Asia and, in doing so, reduce the prospect of armed conflict.

Violent conflict with China is not inevitable

China's ever-growing weight in the region need not lead inevitably to violent conflict. The Thucydides Trap is not an ordained historical outcome, despite what some hawkish commentators may think. It is up to each generation of policy makers and statesmen to understand the changing geopolitical realities and the deep structural forces shaping them and accept their responsibility to avoid conflict.

The global order has changed but is still not settled. China is driving this. Regional states need both to play their part and find ways of cooperating to ensure that their legitimate interests are respected, especially territorial integrity, without conflict.

If Australia returns to a more neutral foreign policy stance which, in the face of the vagaries of President Donald Trump it will sooner or later have little choice but to do, and rebuilds its once strong relationship of trust with China and major regional players, it will be well placed to lead on these initiatives to promote a new regional order and stability.

Geoff Raby *is chairman of Geoff Raby and Associates and was ambassador to China from 2007 to 2011.*

HUONG LE THU

Why the region has given up on 'shaping China'

South-East Asian leaders must relearn how to agree on their joint regional interests if they are going to be able to manage the rise of China.

ASEAN's waning regional influence has been a subject of debate, if not conviction, for some time. Its inability, or unwillingness, to deal with matters of regional security involving China has been the main reason for this concern. Many have discussed China's tactics of divide and conquer. But the question that remains to be answered is: whether ASEAN has given up on 'shaping' China's behaviour. And if so, is this irreversible?

Apart from ensuring peace, stability and prosperity for the South-East Asian region, ASEAN's ambition has also been to engage great powers. In fact, the scholarship on ASEAN matured around its ability to 'socialise' major powers into its multilateral framework. One of the key tools was its 'convening power', through which it not only brought to one table neighbours with problematic intermural relations, but also distant and remote major powers.

Even though the power gap between major powers and ASEAN has always been the determining factor for the organisation's conduct, there was a level of 'reciprocity' in the relationship. Even Chinese assessments acknowledged ASEAN's ability to shape China, along with adapting to China's rise.[1] The very fact that China, like other dialogue partners, acceded to the Treaty of Amity and Cooperation (TAC), testified that Beijing accepted ASEAN's normative role. ASEAN and its regional frameworks have been instrumental for China's regional engagement in the post-Cold War. Multilateralism was something relatively new for China's foreign relations; engagement with ASEAN-led institutions was a helpful learning process.

That was the story from the 1990s until the late 2000s. Now the spell seems all gone. Today, ASEAN centrality is hardly mentioned by China, and the very phrase invokes doubtful confidence. Several intertwining factors explain this. In Beijing, there is a recognition of the declining importance of ASEAN. It now needs China more than China needs it. Feng Zhang found out that "Beijing no longer needs ASEAN in the same way that it did in the past. Now a great power, China has completed its necessary integration into the world and possesses the leverage and leeway to drive territorial settlements."[2] This only emphasises that ASEAN served its purpose for a limited period of time. It was useful for China when its diplomatic network was limited and was constrained in its relations with the West. ASEAN platforms served a purpose of normalising China's presence in the regional setting. Engaging with ASEAN and being a friendly neighbour was a part of the image of a benign giant that was rising peacefully.

Factor one: inducement and coercion

China has successfully prevented any collective balancing through the platform of ASEAN. While rhetorically always supporting ASEAN regionalism, the risk for Beijing was that the group of smaller countries could unify enough to present a formidable balancing force, particularly diplomatically.

However, preventing ASEAN from playing the role of an effective regional actor has been achieved through long-term sophisticated efforts. This is the case in the South China Sea (SCS) disputes as well as on Mekong River issues. Despite involving several ASEAN member states, having significant implications for other states and having diplomatic consequences for ASEAN collectively, these issues are dealt with on a bilateral basis (the SCS) or in a mini-lateral setting (China-Mekong meetings). By preventing them from becoming "an ASEAN issue", and hence receiving multilateral treatment, China exploits the power gap and maximizes its bargaining power.

Today, ASEAN centrality is hardly mentioned by China, and the very phrase invokes doubtful confidence.

Bilaterally, China's ability to assert claims is much larger. This has been displayed in a variety of forms of coercion.[3] A recent example is the Chinese deployment on May 2, 2014 of the Haiyang Shiyou 981 (HYSY-981) oil rig – known in Vietnamese as Hai Duong 98 (HD-981) – within Vietnam's claimed Exclusive Economic Zone (EEZ). The deployment provoked strong reactions in Vietnam and across the Asia-Pacific. The positioning of HYSY-981 by the China National Offshore Oil Corporation (CNOOC) 120 nautical miles off Vietnam's mainland coast (and 18 miles off Triton Island in the Paracel Islands group) sparked a national security alert. There was a tangible threat of escalation into an open confrontation. The Philippines has experienced China's hardline politics in the maritime domain, including the Scarborough Shoal fishermen confrontations. Individual coercion can invite push-back. Demonstrations in Vietnam and the Philippines only confirm that the harder China pushes, the more agitated the responses from smaller countries. The territorial disputes, but also some economic and environmental controversies, fuel nationalist sentiments in those societies.

[1] Ren Xiao, "Between Adapting and Shaping: China's Role in Asian Regional Cooperation", Journal of Contemporary China, Vol. 18 (59); 2009; 303-320.
[2] The Washington Quarterly, Fall 2018; p.199

[3] Huong Le Thu, "China's Dual Strategy of Coercion and Inducement towards ASEAN", The Pacific Review, 2018.

To further amplify the divergent interests and divide ASEAN, China applies simultaneously dual tactics of coercion and inducement to assert its position regionally and globally. In its direct neighbourhood – South-East Asia – these practices are most evident in the region's collective response (or lack of it) towards some key security issues. As a result, the faith in an ASEAN institutional regional role and relevance are diminishing. China's dual approach combines economic inducement through a variety of trade, infrastructure and investment projects with coercive action – be it the threat of use of force or more diplomatic and psychological pressure. The economic card has proven to be a very effective one, particularly with much smaller economies in South-East Asia.

China's world-wide power projection has been largely successful. For the neighbouring South-East Asian countries, China's rise presents opportunities that may outweigh concerns. The varying ratios of coercion and inducement deployed by China provide the South-East Asian states with divergent options from which to choose. However, one conviction is rather uncontested: their perception that, either way, China's influence will prevail. The economic might of China is recognised rather unambiguously across the region – there is little if any contestation about this. It is fair to say that the South-East Asian economies watch Chinese economic growth with some degree of anxiety, but certainly with admiration. John Lee argues: "The belief that China's economic importance in the region will translate into greater strategic clout seems self-evident. After all, the highest priority for South-East Asian states is prosperity and economic growth."[4] Even active claimant states are not immune from the economic inducements, and the non-claimant ASEAN states have less reservation to jeopardise their bilateral relationship with China.

Factor two: China changes the gameplan

Chinese President Xi Jinping's vision of a new era has set out new principles of 'peaceful co-existence', rather than simply echoing ASEAN ones. While the willingness to be shaped by the ASEAN norms has always been questionable, there has been a clear change in the importance that Beijing attached to the role of neighbours.

Under Hu Jintao and Wen Jiabao, Beijing made frequent references to the friendly neighbour ties: "yi lin wei shan, yi lin wei ban" ('becoming friends and partners with neighbours'). This was a time when the focus was on the economic opportunities related to embracing China's growth. Responding to China's free trade agreement proposal, the ASEAN reaction was that "a friendly posture should be responded to in a friendly way."[5] Other examples of a more collaborative nature included the Declaration of Conduct signed in 2002, China signing on to TAC in 2003, the elevation of the China-ASEAN relationship to a strategic partnership and several frameworks on economic and trade cooperation. ASEAN also brought China into its ASEAN Plus diplomatic frameworks.

The varying ratios of coercion and inducement deployed by China provide the South-East Asian states with divergent options from which to choose.

However, since Xi's rise to power in 2013, China has been much more inclined to articulate visions, norms, and values in foreign policy than under his predecessors. Summarised under the banner of Xi's 'Chinese Dream', the country now has a vision of attaining global power status, asserting its "rightful place" in the international system and creating a prosperous and beautiful China. The realisation of the first goal is a combination of new geo-economic plans, like the Belt and Road Initiative (BRI) and Asian Infrastructure Investment Bank (AIIB), with more vigorous assertion of China's territorial claims and secure access to critical infrastructure routes around the globe. That means that the ASEAN centrality concept of focusing regional politics around the group of smaller South-East Asian states is not a preferred option for a much stronger and more confident China. Xi, in his rhetoric, still pays attention to the neighbours by acknowledging ASEAN's work and norms and outlining new guiding principles of 'amity, sincerity, mutual benefit and inclusiveness'. But the 'new era' is very China-centric with neighbours expected to achieve peace and prosperity, a 'win-win', provided they comply to China's vision.

Factor three: ASEAN is losing its charm

There are also changes within ASEAN unrelated to China which have had a detrimental effect on the organisation, further emphasising its weakness vis-à-vis the powerful neighbour. Domestic turbulence and leadership changes across the member states has contributed to an overall reduced enthusiasm

[4] John Lee, 'China's Economic Leverage in Southeast Asia', Journal of East Asian Affairs, Vol .29 (1), 2015; P. 7.

[5] Quoted in the Straits Times "ASEAN, China free trade bloc to set to take off', 5 November 2001.

for regionalism. More worrisome is that a lack of regional leadership, even if informal, leaves many issues to situations where there is no one to lead the discussion. One of the most important changes is the visible distancing by Indonesia - ASEAN's largest actor – away from the regional group, particularly since President Joko Widodo assumed power in 2014.

At the same time, ASEAN's principle of consensus is being abused. It is becoming easier for China to exploit individual interests of member states, including economic interests, in a way that often can eclipse institutional fidelity. The infamous 2012 ASEAN Summit chaired by Cambodia is seen as a point of no return for ASEAN's reputation because of the way the ten members we unable to reach consensus over including South China Sea concerns in the joint statement. Phnom Penh broke an ASEAN tradition by failing to issue the final statement and has continued in many instances since to abuse the organisation's principle of consensus.

Conclusion

The combination of these changes explains why ASEAN no longer even attempts to 'shape' China's behaviour. From an active setter of regional diplomatic norms, it is becoming a passive actor responding to China's economic initiatives or military muscle. But the response is also a matter of individual member state circumstances, rather than an ASEAN-wide decision. South-East Asia is busy either attracting China's investment, or negotiating best possible conditions for investments (Malaysia under Mahathir 2.0), maintaining proper relations, or at best responding to its coercion selectively (Vietnam).

The negotiations of the Code of Conduct (CoC) in the South China Sea are the evidence that ASEAN confidence, and unity, have declined. Not only has little concrete progress been made in 16 years, but ASEAN remains reticent or reluctant to call out Chinese military activity and open disregard for the Arbitral Tribunal ruling from 2016. In the most recent development, which is a single draft of the CoC, China's proposals are much more forceful, for example demanding that resources exploration activity by ASEAN's littoral states is "not conducted in cooperation with companies from countries outside the region".[6]

From an active setter of regional diplomatic norms, ASEAN is becoming a passive actor responding to China's economic initiatives or military muscle.

Today, it is hard to find in the official language further elaboration on ASEAN norms shaping, socialising or integrating China. Without leadership, or even a sense of solidarity, ASEAN lacks negotiating power vis-à-vis a much more powerful China, let alone the ability to shape its behaviour. ASEAN let its socialising power slip, and it is now only adapting to Beijing's growing influence.

The remaining question is whether it is reversable? Yes, it could be. But this depends on future factors that are too dependent on external confidence in ASEAN, rather than only finding the power and confidence within ASEAN. This begs another discussion about the value of ASEAN to its own members. The first step is for ASEAN to socialise the new generation of leaders – from Indonesia's Widodo to the Philippines' Rodrigo Duterte in ASEAN traditional norms and to continue this with future new leaders. Without successfully shaping its own members' behaviour – it's only reasonable that ASEAN will struggle to socialise and shape much larger countries' behaviour. In other words, ASEAN needs to start with addressing the factor 3 internal change, which would result in addressing factor 1 on regional rules. Factor 2 could only be indirectly addressed, but ASEAN leaders need to bear in mind that regional responses (or the lack of them) either increase or temper Beijing's ambitions. That's the power of shaping.

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[6] See: Carlyle Thayer "A Closer Look at the ASEAN-China Single Draft South China Sea Code of Conduct", The Diplomat, 03/08/2018

NATALIE SAMBHI

A shared maritime destiny for Australia, Indonesia and the Philippines

Australia, Indonesia and the Philippines are natural partners in promoting security and preserving stability in the maritime domains of their shared region.

"In the seas, we will triumph," declared Indonesia's President Joko "Jokowi" Widodo at the close of his inauguration speech in October 2014. But four years on, even the world's largest archipelago — the most naturally inclined to a confident maritime outlook — has made only modest progress in achieving Jokowi's Global Maritime Fulcrum vision.

The Indo-Pacific region is unwieldy, with its criss-crossing security arrangements and diverse state capacities. But it is inevitably the dominant strategic construct incorporated into the thinking and outlook of regional governments, particularly Australia and Indonesia. Maximising the opportunities for security cooperation in the context of the Indo-Pacific, set against the backdrop of changing regional power relations, is the sine qua non of present-day strategic policy.

Dividing the vast Indo-Pacific into sub-groups, alongside large-scale multilateral efforts, is a pragmatic way of building common modes of cooperation and a common sense of identity between its constituents. Building on pre-existing bilateral cooperation, strategic triangles are apt building blocks of the future landscape.

While the Indo-Pacific's geographic boundaries remain fuzzy, it is conversely clear that Australia, Indonesia and the Philippines belong within its strategic confines. Between Australia, Indonesia and the Philippines, there are a multitude of issues and areas to invest greater efforts, but what bring these states together, especially when they fail to share a maritime border?

We need to take the idea of shared destiny beyond rhetoric — it is the reality. As far as national interests can make a compelling case for trilateral engagement, to work as a team is to recognise a shared destiny. As the adage goes, there's no "I" in team but there is undoubtedly one in failure.

In the Indo-Pacific century, strategic power is dynamic; as former Indonesian foreign minister Marty Natalegawa argues, it shifts from one pole to another. Power concentration in one capital can be at the detriment of many others. The exploitation of resources such as fishing stocks is a loss for the group, the coercive grab for territory in the South China Sea is an assault on the agreed norms. Norms might not be perfect but they are better than a pure self-help system.

We need to take the idea of shared destiny beyond rhetoric—it is the reality.

And so, while bilateral cooperation between Australia and Indonesia, Indonesia and the Philippines, and (increasingly so) the Philippines and Australia is occurring, engaging all three states in the pursuit of maritime issues should be a top priority for strategic thinkers.

Maritime identity and culture

South-East Asia's two largest states with one of ASEAN's most important regional partners makes a formidable trio in maritime affairs. An ambitious way of building cooperation between them is to promote the obvious: all three countries are, in fact, middle-sized, democratic maritime nations in close proximity.

A deeper consciousness of all three states of their maritime responsibilities can have a transformative effect. Admittedly a long-term undertaking, fostering a maritime consciousness within a population, building a robust maritime sector, boosting collective regional responsibility for the marine environment and maritime security.

A national maritime identity fosters a sense of responsibility for maritime issues among the people who will grow to expect accountability in their governments for failures. Far from being a utopian dream, particularly in democracies, the media plays an important role in bringing maritime issues to the fore.

In the Philippines, broadcaster GMA News aired footage in June purportedly showing Filipino fishermen watching helplessly as the Chinese Coast Guard seized part of their catch from the Scarborough Shoal. One fisherman interviewed tearfully decried, "Are we slaves of China?" The heart-wrenching report made national headlines. A survey released by Pulse Asia the following month, which marked the second anniversary of the Arbitral Court's ruling, showed that 73 per cent of Philippines citizens polled wanted President Rodrigo Duterte to enforce their country's rights under the award.

It is not merely a philosophical sleight of hand that we can band together Australia, Indonesia and the Philippines; as democratic maritime countries creating a south to northwest arc of the Indo-Pacific, it is almost as if nature intended for them to be maritime sentinels.

Connecting with the maritime identity of each nation is to inevitably recognise that maritime challenges have shared origins and necessarily collective solutions. The trials of oceanic pollution, maritime piracy, people smuggling and maritime disputes irrefutably connect the Indo-Pacific's inhabitants — more so in cases of proximity.

Three-way conversations

While building national maritime consciousness is a long-term project, in the strategic realm, there are clear, immediate steps which could foster a maritime trio. The first is to focus existing dialogues and interfaces between all three countries predominantly on maritime matters. In defence and strategic matters, that makes the most sense given the overlapping interests between the three concern maritime disputes, maritime-borne illegal activity including people smuggling and foreign fighter movements, maritime-related terrorism and piracy, and marine environmental protection.

Although the first Philippines–Australia Dialogue was convened in 1997, track 1.5 and track 2 dialogues between the two have gained momentum in the past few years, with think tank analysts, scholars and foreign affairs officials meeting in Manila in 2017 and again this year. In Australia, one easy way might be for think tanks and universities to invite Indonesian observers to existing bilateral track 1.5 and track 2 meetings with the Philippines and Philippines observers to the same with Indonesia.

It is not merely a philosophical sleight of hand that we can band together Australia, Indonesia and the Philippines; as democratic maritime countries creating a south to northwest arc of the Indo-Pacific.

To move them beyond a talk shop, these dialogues can be utilised to help reach a basic consensus on maritime priorities and thus build opportunities for research collaboration but also maritime civilian and defence industry cooperation between all three countries. All three states are involved in ship-building, with Indonesia's national shipbuilder PT PAL expanding into other markets after successfully manufacturing Strategic Sealift Vessels (SSVs) for the Philippines. Keeping these priorities alive in the media and in policy circles is a key responsibility of the strategic and business communities.

The meeting of senior officials in June between the so-called Quad states (Australia, India, Japan and the United States), held on the sidelines of an ASEAN senior officials meeting, opens the door for these kinds of meetings regionally. An Australia–Indonesia–Philippines senior officials' strategic dialogue would provide the opportunity to discuss matters such as President Duterte's recently announced "red lines" on Chinese behaviour in the South China Sea. Another top priority is counter terrorism cooperation, building on the Australian Defence Minister's Sub-regional Defence Ministers' Meeting on Counterterrorism, involving six South-East Asian states, held in Perth last year. With regular senior officials' meetings to build momentum and familiarity, the Australian Defence Minister's initiative could the ideal forum for future trilateral sideline gatherings.

More ambitiously, Australia and Indonesia could consider leveraging its Bali Process successes towards a trilateral forum on transnational crime and people smuggling. As the Australian Ambassador Amanda Gorely pronounced recently, "terrorism and transnational crime and the emerging threats of cybercrime are concerns for both [Australia and the Philippines]."

Operational trust

Once strategic-level priorities are set, operational level trust must be deepened. All three militaries and their civilian agencies have long-standing ties and, despite a heavy land focus, are natural maritime partners.

Developments between navies has gathered momentum. The inaugural Navy-to-Navy Strategy talks between Australia and the Philippines were held in March 2017, co-chaired by the Deputy Chief of the Royal Australian Navy and the Vice Commander of the Philippine Navy. Navy-to-navy talks could extend an invitation to naval attaches. Forums such as the Western Pacific Naval Symposium where all three naval chiefs are present are optimal times for trilateral talks. Developments such as the Code for Unplanned Encounters at Sea include Australia, Indonesia and the Philippines, and while voluntary in nature, continued socialisation of such agreements at trilateral meetings can strengthen their normative nature.

But how do we move cooperation from table tops to the tides? Critically, information sharing will help combat traditional and non-traditional maritime-related issues such as piracy, illegal fishing and people smuggling. At last year's ASEAN summit in Manila in November, Prime Minister Turnbull signalled his willingness to share more intelligence with the Philippines on terrorism groups in its borders.

The upgrading of maritime assets in all three countries is opportune for building early habits of cooperation with new platforms. Like Indonesia, the Philippines seeks to modernise its defence capabilities which has included upgrades to its

air force and navy. The Philippines Armed Forces are also set to benefit from a boost in Pentagon funding for a fleet of drones used in monitoring operations against groups aligned with ISIS. In terms of training, Exercise Lumbas between the Australian and the Philippines navies, which focusses on maritime security including anti-terrorism, might in future be augmented to include Indonesian contingents.

Surveying the strategic horizon, Australia, Indonesia and the Philippines are highly unlikely to have matters that cause direct antagonism between them. Events such as the 1999 crisis in East Timor, which brought Australian and Indonesian troops close to the brink of combat, were contained due to trust at multiple levels of command delivered by years of persistence and familiarity between personnel. Present day cooperation will not only reap dividends for fostering a shared sense of responsibility and pooling resources, but develop the trust needed in times of crises.

What is likely is the need for coordination and cooperation in times of natural disaster, underscored by the recent earthquakes in Lombok and typhoons in the Philippines such as 2013's Typhoon Yolanda. Visits such as the HMAS Adelaide to Indonesia and the Philippines as part of Indo-Pacific Endeavour 2017 can help promote international engagement focussed on humanitarian assistance cooperation.

Present day cooperation will not only reap dividends for fostering a shared sense of responsibility and pooling resources, but develop the trust needed in times of crises.

Lastly, Australia also need not limit itself to trilateral engagement between itself, Indonesia and the Philippines. It can act as a chief enabler by providing information or maritime domain awareness support to existing trilaterals involving Indonesia and the Philippines such as the maritime patrols with Malaysia (INDOMALPHI) which kicked off in mid 2017.

Duterbulence ahead?

As the relationship between Australia and the Philippines gains a higher profile with increased cooperation over Marawi, there has been greater scrutiny on Duterte's human rights record.

Last year, the Australian director of Human Rights Watch Elaine Pearson called on then Australian Prime Minister Turnbull to "plainly and publicly condemn extrajudicial killings in the Philippines to ensure both Duterte and the Filipino people are clear about where the Australian government stands."

While the full generational impact of the extra-judicial killings on Philippines society and its police force is yet to be felt, cooperation between militaries and civilian agencies remains robust and largely isolated from these domestic policies for now. Australia maintains overall a steady relationship with the current administration. During HMAS Adelaide's stop in Manila in September last year President Duterte was greeted aboard by the Chief of Defence Force and Australian Ambassador in an important diplomatic gesture.

Nevertheless, as partners, Australia and Indonesia can be involved in supporting what Imelda Deinla and Rory MacNeil have flagged as a priority: an "effective and accountable security sector" in the Philippines.

Conclusion

Trilateralism is not to the exclusion of bilateral or multilateral cooperation; the idea is to form "building blocks" for a more complex structure, fortified for more complex challenges that demand shared solutions.

It is undeniable that Australia, Indonesia and the Philippines are natural partners in working to promote security and preserve stability in the maritime environs, as well as protect the marine environment. More than most South-East Asian states, Indonesia and the Philippines depend on the sea. Aside from building ties with South-East Asia's middle powers, growing closer to these two helps Australia anchor its identity in the region, diversifying it away from its Commonwealth roots (manifest through the Five Power Defence Arrangement).

In October 1997, in launching the inaugural Philippine–Australia Dialogue in Manila, then Foreign Minister Alexander Downer underscored the need for a "new, more dynamic bilateral relationship." Perhaps it is time for a new, more dynamic trilateral configuration where maritime nations join forces to the Indo-Pacific community's greater benefit, and together, in the seas, we will triumph.

Natalie Sambhi *is a Research Fellow at the Perth USAsia Centre.*

LOUISE MCGRATH

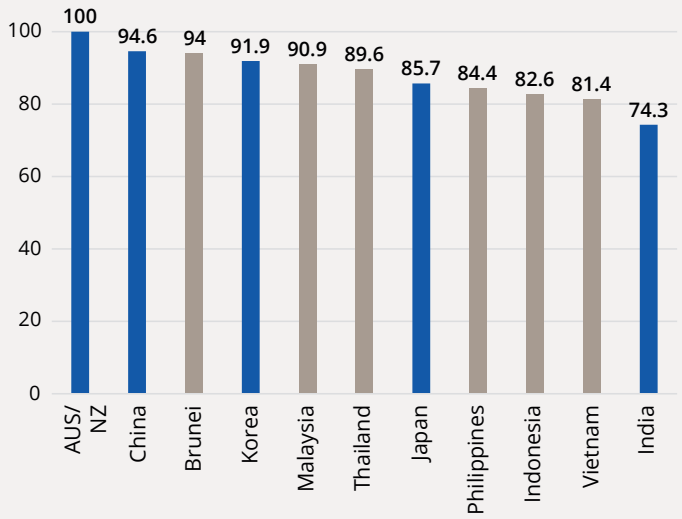
Will RCEP provide the right deal for business?

Red tape, behind-the-border barriers and data flow and protection are the real issues that make a difference to the trade prospects of manufacturers.

Spend any time at all talking with negotiators on the Regional Comprehensive Economic Partnership (RCEP) and you are sure to hear about "finding the right Landing Zones". In consensus driven ASEAN this is polite code for: "We are trying to meet the expectations of countries like Australia and Japan, while keeping India in the room". Just how deep or wide these zones might be is what concerns business.

The basis for RCEP membership is an existing free trade agreement with ASEAN however, as is often the case in international relations, while we all use the same words, we rarely mean the same things. The chart shows the various levels of tariff elimination free trade agreement (FTA) members have committed to in ASEAN +1 FTAs. It is also a clear indication of the varying levels of ambition that respective negotiators will bring to the table, and a key reason for the limited progress made in five years. Based on past performance, a tariff Landing Zone might be 25 percentage points wide, an impossible situation for Australian exporters and our negotiators.

Tariff elimination under ASEAN+1 FTAs. ASEAN Member State figures are average levels across all ASEAN+1 FTAs



The Australian Industry Group (Ai Group) has been representing the interests of Australian manufacturers for more than 140 years. While tariff reductions are important and get all the attention in trade deals, they aren't as significant for our sector as they are for the agriculture sector. What really makes a difference to the trade prospects of manufacturers today are the border red tape and processes and behind the border regulations and barriers. What will make a difference in the future? Protecting data and data flows.

Let's tackle the former first.

Global value chains have become more important in the 21st century. Global trade is no longer characterised by the import/export from one country to another of raw materials and finished manufactured products, but rather vast webs of trade in intermediate products, across different sectors, and often involving numerous countries, business trips and data exchanges. Recent estimates show that 60 per cent of global commerce involves intermediate products, and 30 per cent of the total is conducted between affiliates of the same multinational corporation[1]. This raises the importance of trade transaction costs including burdensome border administration which increase the costs of trade, particularly where products must travel through numerous countries before the final good can be sold.

Tariff reductions in RCEP are less important for manufacturers

The Trade Facilitation chapter in RCEP has the opportunity to enhance trade facilitation and custom procedures in a manner that is predictable, consistent and transparent. Broadly defined, trade facilitation is any measure that contributes to lowering trade transaction costs and creating standard efficiencies. There are numerous costs to inaction on trade facilitation including:

- Direct and administrative costs to traders;
- Direct administrative cost to governments;
- Time lost, which results in higher working capital needs;
- And uncertainty.

Among the many ways to enable trade, reforming border administration requires relatively little money and can be done quickly. Unlike tariffs, which do provide revenue for governments, all the resources spent on overcoming administrative barriers are lost. According to Zaki's[2] estimates halving trade facilitation costs could deliver nearly ten times the benefit of halving tariffs.

Governments negotiate FTAs, but it is left to businesses to implement them. Our experience with some FTAs has been that non-tariff barriers have increased after ratification, negating the benefits of tariff reductions and market access. We encourage negotiators to take pragmatic steps to include mechanisms to address non-tariff barriers within RCEP, ensuring that it is a dynamic and practical tool for ongoing trade access.

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[1] Gary Hufbauer, Martin Vieiro, John Wilson, "Trade facilitation matters!", VOX CEPR's Policy Portal, available at: https://voxeu.org/article/trade-facilitation-matters

[2] Zaki, C., An empirical assessment of the trade facilitation initiative: Econometric evidence and global economic effects. World Trade Review, 13(1), 2014, 103-130.

What really makes a difference to the trade prospects of manufacturers today are the border red tape and processes and behind the border regulations and barriers.

This is why the Government's work does not end at the conclusion of negotiations, nor does it end when the agreement is signed or ratified. In order to ensure that businesses gain full advantage of FTAs and the broader community understands and supports free trade, it is essential that the whole of government works together to support Australian businesses to take advantage of new opportunities and remain competitive in the face of new threats.

Non-tariff barriers sometimes actually rise after trade deals

However, often the issue is not the creation of new barriers, rather it is pre-existing rules and regulations that cause problems. We have a member that manufactures chocolate-coated honeycomb who was unable to take advantage of a new opportunity in an ASEAN market due to a pre-existing rule that honeycomb is unable to be sold unless connected to a biscuit. This is just an accident of insufficient regulation development.

While other countries take a transactional view of foreign aid - building infrastructure that requires the purchase of materials and expertise from the donor country - Australia focuses on capacity building that will make a material difference to transforming the recipient's economy. Ai Group supports this strategy. However, we would like to see priority given to industries and agencies that match Australia's economic interests. This will assist in removing the behind the border barriers that limit the success of Australian exporters and prevent developing economies from reaching their potential.

Digital technology has revolutionised modern trade and the products and services that we are able to export. Block chain technology, Industrial Internet of Things (IOT) and electronic communication are all essential elements of a globally competitive industry. A common characteristic of all successful businesses is their ability to harness the benefits of digital technology to support their strategic goals. The democratising nature of the internet has reduced the barriers that previously excluded small to medium businesses to global markets, exposing them to greater opportunities and risks.

We are signing FTAs today that are setting trade rules for technology that hasn't been invented yet. The multilateral infrastructure that supports global trade rules was created in an age when most trade was between two businesses, shipping a box of items between two countries using a global payment system that was first used on the Silk Route. Digital technologies have created a new world where businesses can sell directly to consumers using a trading platform developed in one country and housed on a server in a third country.

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IOT refers to a digital ecosystem where everything connects and communicates from inanimate objects to living organisms, including people and animals. With all these types of things connecting, they can form an entire network of things, resulting in a smart home, factory or business – or an entire smart city or global community. A UK Government study estimates there were about 14 billion devices connected in 2013, and predicts that there will be between 20 and 100 billion connected devices by 2020 across the globe.

The manufacturing sector is one of the top users of IoT, with 25 per cent of global manufacturers estimated to currently use it. This is predicted to grow to more than 80 per cent by 2025. According to Deloitte's Tech Trends report, ambient computing (where real business value is extracted from the use of IoT) is one of the "exponential" technologies whose performance (relative to cost and size) will experience rapid growth, and create new competition and opportunities. In a recent World Economic Forum survey, 72 per cent of businesses said the development of IoT will be disruptive to their businesses and industries – and 79 per cent said those disruptions will occur within the next five years.

Unfortunately, our multilateral rules bodies have not kept up with the changes to the digital landscape, particularly when faced with protectionist barriers.

Global rules are not keeping up with the rise of ecommerce

Recent action taken by China to pass cyber security laws is a good example of the way governments are introducing restrictions to trade and the free flow of data. While the stated motivation might be security, these new laws are a significant protectionist measure that inhibits innovation and disadvantages small to medium sized businesses. Businesses most at risk will be those with special hardware and systems for network management. The rules state that companies operating in China must provide the government with their anti-hacking proprietary security hardware and software, which could then be passed on to relevant Chinese firms. And having access to the hardware and software means firms would have access to the data as well. The law also requires business information and data on Chinese citizens gathered within the country to be kept on domestic servers and not transferred abroad without permission. This means that Australian businesses who sell network-enabled machines to China will need to share their intellectual property and establish their own servers in China. In fact, all Australian companies with a physical presence in China will be affected, particularly if they want to send intra-company communications back to the Australian head office. Members with operations in China have complained that they struggle to get clarity on domestic data security regulations in China.

Digital technology also has the power to improve the efficiency of international transactions, reducing costs and paperwork for all international traders. In 2016 the Commonwealth Bank of Australia was involved in an international transaction that used Blockchain, Internet of Things, GPS, smart contracts and a secure electronic distribution system to support the first completely paperless international shipment and financial transaction. Any changes or discrepancies were communicated to all parties in real time and the movement of goods and money were completely traceable. Traditional trade finance and international shipping is paper and labour intensive, contributing to a process where errors and delays are rampant.

These examples demonstrate that data is both a product and an enabler to improve international trade transactions. In all examples, companies are relying on the free movement of data across international borders using interoperable systems.

The Internet gives small and medium enterprises (SMEs) and firms enhanced scalability and better access to markets, financing, labour, skills, as well as new services and products, increasing their productivity and reach. However, the internet has not changed the fundamental rules of international trade nor removed the need to support SMES to develop sustainable business models.

Data is both a product and an enabler to improve international trade transactions.

These businesses require support from trade facilitation services such as Ai Group's TradeStart to understand the mechanics of international markets and to harness the potential of online sales.

E-commerce and the emergence of online platforms have made pricing strategies even more crucial as smaller exporters start to understand the value of cutting out middle men and selling direct to the consumer. A wine maker in regional Victoria used TradeStart advice to shift from using a consolidator into China to going direct via an online platform such as Alibaba. Its revenue went from $55 free on board (FOB) Melbourne per case to $186 per case, after taking out freight and commissions. The Chinese consumer was still paying a competitive price, however, the Australian company was able to capture a greater share of the value.

Online platforms, particularly those targeting the Chinese consumer, have also created a new business model around Daigou traders. This is essentially a grey market of 40,000 to 60,000 "shoppers for hire", buying to order on behalf of Chinese consumers. As informal as this salesforce might be, it still requires a strategy from exporters who need to protect their brand, market positioning and sales volume. This strategic development relies on advisors who possess current and innovative export expertise.

Recommendations

1. Use RCEP as an opportunity to improve the quality of trade facilitation rules across the region, protect data flows and reduce behind the border barriers.
2. Ensure DFAT has sufficient funds to become more proactive in promoting compliance with WTO and FTA rules amongst our competitors and trading partners.
3. DFAT should ensure exporters and investors understand their rights under international agreements and provide a contact point for companies facing non-tariff barriers.

4. Implement a development agenda that improves the governance and administration capabilities of regional economies.
5. Government agencies should build more capability to address issues that may inhibit exports of digital technology and restrict digital communications for global companies.
6. Austrade should improve the capabilities of its advisor network and website to include information on new forms of export, new risks and international digital compliance advice.
7. Australia should be a global advocate for the creation of a multilateral framework for addressing restrictive digital trade barriers.

Louise McGrath *is National Manager, Business and International Advisory Services at Australian Industry Group.*

DOUG FERGUSON

Building a sustainable future for the New Colombo Plan

The New Colombo Plan is deepening Australia's ties with the ASEAN region and delivering long-term benefits to Australia. But it needs a unified, national approach to grow its scale, reach and impact.

In 2014, the Federal Government launched a visionary scholarship pilot program named The New Colombo Plan (NCP) with the bold aim of providing a new generation of Australians with practical experience living, studying and gaining workplace skills in the Indo-Pacific region. Designed as a 'reverse' Colombo Plan – a post-World War II initiative under which Australia for the first time provided scholarships to students (and future leaders) from South and South-East Asia to study in Australia's universities – NCP's ambition is to develop the next generation of Asia-connected Australian leaders.

Just four years later, 434 NCP scholarships have been awarded to Australia's best and brightest undergraduates while 31,114 students have undertaken short term study mobility programs. By the end of 2018, 31,548 young Australians will have visited and studied in the Indo-Pacific region under the program.

This is remarkable progress for a relative new initiative. The legacy of the NCP will be immensely positive for the next generation of Australians as they advance our nation's engagement with the Indo-Pacific region.

Now that the NCP program has reached maturity and scale, it requires strong business community and bipartisan political support to enable it to deliver its long-term dividends to Australia and to continue to demonstrate Australia's interest and commitment to the region.

Region	Total students	Number of scholarship recipients	Number of mobility students*
ASEAN	13,644	166	13,478
East Asia Summit	25,089	324	24,765
APEC	21,532	381	21,151
South East Asia	14,093	166	13,927
North Asia	9,756	223	9,533

Table 1: NCP scholarship and mobility programs by IndoPacific region 2014-2018

Source: NCP Secretariat, DFAT

ASEAN – a major destination for NCP students

The 10 member states of the ASEAN are popular destinations for NCP students with 177 scholars having completed or currently undertaking studies and another 13,478 students on mobility programs in the region. Singapore and Indonesia are most favoured, followed by Malaysia and Thailand. All ASEAN member countries have hosted at least one of our students.

For the past three years, I have had the great pleasure to sit on the interview selection panels for NCP scholarship applicants including most recently for the 2018 ASEAN intake covering Malaysia, Thailand, Vietnam, Cambodia and Myanmar.

I am immensely impressed by the quality and diversity of these incredibly talented young Australians. They are young, mostly ranging between 20 and 22 years old, yet they average high distinction results and they are highly engaged in university and community service activities.

These wonderful students hail from cities all across Australia, including from lower socio-economic background communities. Female participation is incredibly high – for the ASEAN 2018 cohort, a majority of scholars were women. Students of all cultural backgrounds are represented, including Indigenous Australians. There are efforts underway to continue improving the diversity and inclusiveness of the program and student cohorts.

ASEAN leaders are also very supportive of the New Colombo Plan.

Singapore Prime Minister Lee Hsien Loong said during his address to the Parliament of Australia on October 12, 2016:

"I am glad that Foreign Minister Julie Bishop had the vision to champion the New Colombo Plan. By the end of this year, Singaporean universities will have welcomed some 800 Australian New Colombo Plan students. They will continue the spirit of exchange and build and renew connections and goodwill between our peoples into the next generation."

Former Malaysian Prime Minister Najib Razak, in his Joint statement with former Prime Minister Malcolm Turnbull, November 22 2015 reflected on the fact that many Malaysians were educated in Australia under the Colombo Plan, and the new initiative provided a much needed platform to build greater understanding between the nations and cultures.

Young Australians are also clearly benefiting from their NCP experience. A number of students interviewed gave a sense of the quality of the NCP program and the legacy it is leaving for Australia in the Indo-Pacific region. For example, Joel Adsett is currently completing his final semester of a Bachelor of Business (Finance)/Bachelors of Laws (Honours) dual degree from Queensland University of Technology. In 2015/16, as a New Colombo Plan scholar, he studied international business and Asian Studies subjects at Universitas Bina Nusantara in Jakarta, Indonesia. He also interned with Cardno Emerging Markets and the Australia Trade and Investment Commission in Indonesia, and with ANZ Banking Group in Singapore. Joel starting working with a global strategy consulting firm in Sydney in 2018.

A major focus for DFAT and universities is creating a community of NCP Alumni as advocates and ambassadors who understand and appreciate the responsibility to encourage others to participate in the program and give back" to the Australian community at large.

Creating a sustainable future for the NCP

The success and longer-term impact of the NCP will depend on the support it receives from the Australian community and our regional partners.

Business has a key role to play. The ASEAN region is, and will always be, important to Australian companies. When aggregated, ASEAN represented Australia's third largest trading partner in 2016, while Australia was ASEAN's sixth. In 2015, two-way trade amounted to more than $90 billion and two-way investment totalled around $227 billion.

Many of Australia's largest listed companies, including in finance, transport and logistics, healthcare, education and property sectors have established a permanent presence in the region. ANZ, Macquarie, Lend Lease, Linfox, Bluescope, Telstra and Blackmores are just a few iconic Australian names actively investing and operating in South-East Asia.

Before embarking on the NCP, I planned to return to London. However, after my time spent in Indonesia, I am now more determined than ever before to pursue a career in Asia. This simply would not have been on my radar before I embarked on my NCP journey. My new focus on building a career in Asia is definitely the most tangible and meaningful outcome of my NCP experience, and one that I am incredibly thankful for.

Future success in the ASEAN region will require a highly skilled workforce with in-country experience and relationships. The NCP is an ideal platform for Australian companies to identify and attract exceptional Australian students who have studied in some of the leading universities in the region.

Of the total scholars who have completed or have been awarded their NCP scholarship, around 86 per cent have undertaken internships with local or Australian organisations. But the demand for internships outpaces supply.

To date, many companies including KPMG, have answered the call and provided valuable internship experiences. Given the large number of students and the diversity of skills, more Australian and foreign companies and institutions across a wide range of sectors need to get involved in the program through the provision of professional placement opportunities to NCP scholars.

In 2015, then foreign minister Bishop announced the initial NCP Business Champions cohort, of which I am honoured to serve. Its aim is to develop a network of business and community leaders committed to the NCP and its cause to serve as Ambassadors for the program. In late 2017, the group was expanded significantly to include some of Australia's most prominent and passionate leaders.

Respected Australian business leader, Kevin McCann, who is the national vice chair of the NCP Reference Group (alongside Professor Sandra Harding) has been deeply involved with the program since its inception and wants Australian companies active in the Indo-Pacific region to help ensure NCP's sustained growth.

Interviewed for this essay, McCann said: *"The New Colombo Plan has enabled over 30,000 Australian students the opportunity to undertake cross disciplinary field work and mobility programs in Asia and the Pacific. It has the enthusiastic support of Australian students for its relationship building with, and benefit to people in the host countries."*

Having leadership, funding and national purpose in place, what are the key ingredients for the NCP's sustainable future?

1. The program deserves a non-partisan political support. For the NCP as a nation-building project to achieve its multi-generational impact, it requires the commitment by all political parties to continue its funding and implementation.
2. Those involved in the NCP (business champions, students, university mobility officers) need to continue promoting the program across wider Australian and regional networks. Its core message of building a new generation of Asia-engaged Australian leaders needs to be understood and accepted by Australian society at large.
3. On a practical level, Australian organisations should be actively encouraged to provide work experience, internships and mentoring experiences for NCP students offshore.
4. As a national endeavour, NCP needs to grow and diversify its funding base. A number of Australian firms for example PwC, have established named scholarships for NCP scholars of their choice. This

practice needs to be encouraged as it creates mutually beneficial opportunities for the students, sponsors and the NCP at large.

5. As Australia seeks to develop Asia skills and competencies to grow business connectivity with the region, Australian employers need to think of the NCP as an effective platform for future talent development and as a long-term opportunity to invest in Australia's future leaders. See table below.

NCP is a national success story to be celebrated and empowered to grow. After decades of bipartisan agreement on the importance of building Asia competencies in our society for Australia's future in the region, NCP has shown that this objective can be achieved. By building a cohort of Asia-literate and Asia-engaged Australian leaders, the program presents a real opportunity to deepen our national Asia literacy and broaden and deepen our expertise and networks in the region.

NCP deserves national support. But it will also require innovative, collaborative and entrepreneurial thinking on the design and future of the program to grow its reach and impact across generations and communities. As Australia refocuses its diplomatic and economic efforts on the Indo-Pacific, it is an opportune time to ensure this national project thrives and remains at the forefront of Australia's engagement strategy for the region.

Doug Ferguson *is Chairman of Asia Society Australia.*

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Location	2014 Pilot	2015	2016	2017	2018	Total Scholars	2014 Pilot	2015	2016	2017	2018	Total Mobility	Total Students
Brunei	0	1	0	0	0	1	0	8	10	16	49	83	84
Cambodia	0	1	1	2	0	4	0	118	252	440	530	1340	1344
Indonesia	5	10	8	14	14	51	630	602	823	1113	2131	5299	5350
Laos	0	0	0	0	0	0	0	46	50	23	75	194	194
Malaysia	0	4	6	4	5	19	0	149	272	390	835	1646	1665
Myanmar	0	0	2	1	2	5	0	20	90	85	179	374	379
Philippines	0	2	3	0	0	5	0	49	51	114	305	519	524
Singapore	12	10	15	13	17	67	205	178	313	303	559	1558	1625
Thailand	0	1	5	2	2	10	0	160	148	189	432	929	939
Vietnam	0	0	2	1	1	4	0	161	251	340	784	1536	1540
TOTAL ASEAN	**17**	**29**	**42**	**37**	**41**	**166**	**835**	**1,491**	**2,260**	**3,013**	**5,879**	**13,478**	**13,644**

Table 2: NCP scholarship and mobility programs by ASEAN country 2014-2018
Source: NCP Secretariat, DFAT Feb 2018

CAT THAO NGUYEN

Vietnam rising: will Australia keep up?

Vietnam seeks allies to navigate the region and collaborate to fulfil its potential. Australia can be its partner.

Freedom. Independence. Happiness. These words in Vietnam appear on correspondence to and from government agencies, and in posters and signs in meeting rooms across the country. It is a motto that was used to buoy courage in warfare against foreign powers and to anchor reconstruction pursuits during the post-war phase. These notions were encapsulated in the Declaration of Independence read out by Ho Chi Minh on September 2, 1945. The document announced that Vietnam was a free and independent nation, no longer subject to French or Japanese rule. And yet war continued for decades after. But today, whilst these words are visibly prevalent, they may not be sufficient to inspire a dynamic, young population in a changing world. Vietnam seeks allies to navigate not only this

external landscape but also to collaborate to fulfil its potential, and that of its role within the region and beyond. Australia can be this partner.

The relationship already has deep roots. Two years before the fall of Saigon, Australia established an Embassy in Hanoi in 1973. The US trade and aid embargoes prevented Vietnam from accessing finance from multi-lateral agencies such as the World Bank as well as US private sector trade. In the midst of this, Australia approved aid support for Vietnam which was critical. The aid continued through decades of change. Relations with the US wouldn't normalise until 1995. But in 2012, Australia was still the largest provider of grant finance to Vietnam. During the period before 1995, The Australia and New Zealand Banking Group (ANZ) opened a branch in Hanoi in 1993 and was one of the first foreign banks to be permitted to operate in Vietnam. And one American Vietnamese telecoms engineer traveling through Vietnam recalls: "OTC (now Telstra), was working in Vietnam with the government to establish communications infrastructure. It was an early player here".

The foundations of the bilateral relationship are strong

I visited for the first time in 1991 when Vietnam was a shadow of its self now. There were almost no cars. People travelled on cyclos. The main boulevard leading to the Ho Chi Minh City Opera House was quiet, dotted with a few motorbikes and bicycles. But by 1998, RMIT was invited to establish Vietnam's first foreign university. The My Thuan Bridge in the Mekong delta was built with $91 million of Australian aid. Any citizen of a developing country knows the significance of what a good bridge can do. The impact on the economy is immense. It is no surprise, that my illiterate grandmother in Tay Ninh province called it "the Australian bridge." It was clear that Australia recognised Vietnam as an opportunity, both economically and strategically.

However, much has changed because in 2018, Australia's presence in Vietnam is certainly not like it was. The ANZ has sold its retail banking business. For decades, its branding was prominent – from a clock at a roundabout on Nguyen Hue Boulevarde to a grade A commercial building opposite the US consulate. The Commonwealth Bank also closed its branch. Japan (US$9.11 billion) and South Korea (US$8.49 billion) accounted for almost half of the total foreign direct investment into Vietnam in 2017. Australia's investment is much smaller at about $2 billion. And its two-way trade with Vietnam at $11.8 billion is less than New Zealand's at about US$18.5 billion. Education is now Australia's third largest export and here the close to 20,000 Vietnamese students are second only to Malaysians in their per student contribution to Australian GDP amongst foreign students.

Vietnam's GDP grew 6.8 per cent in 2017 and Boston Consulting Group says that it has the fastest growing middle class in South-East Asia. And some neighbours are capitalising on this in a big way. Samsung Electronics factories in Vietnam produce almost a third of the firm's global output and the company has US$17 billion in the country." Vietnam is now the second largest exporter of smart phones in the world, after China.

Australian investment is falling behind

So where is Australia in all of this? Clearly Vietnam's Asian neighbours have grown and changed in the last 40 plus years since the end of the war. Their own rise has also propelled offshore investment and increased trade. Comprehensive and concerted Japanese policies such as conditional aid, investment support, cultural exchange and public diplomacy has now started to pay off – in some parts to the detriment of Australia. Vietnam now sends larger numbers of students to Japan. The number of Vietnamese students in Australia in 2017 grew 8.7 per cent to 19,708. But the flow to Japan increased 14.6 per cent to 67,671, second only to China.

Vietnam's GDP grew 6.8 per cent in 2017 and it has the fastest growing middle class in South-East Asia.

When I asked a sales person working for a Japanese company in Vietnam why he chose to study in Japan, he said "because if I don't get to stay in Japan, even if I come back, there are more opportunities to work for Japanese companies. If I speak Japanese I'll get an even higher salary. If I become a personal assistant to the CEO of a Japanese company here, I can get US$1000 per month. Whereas my friends who work as graduates of international companies like PWC Vietnam, get less than US$400." Many education agents in Vietnam are finding it harder to sell Australia. There is also a large movement of students going to Canada. China's universities are becoming world class and combined with professional opportunities, the study abroad option is less compelling than in the past. Australia is also facing question marks over conditions for foreign students with, for example, a recent ABC report on

how international students experience challenges such as racism and poverty. One Vietnamese student was reported to be the target of racial abuse on a train. These messages spread quickly amongst the community of current and future customers. Australia needs to embrace its diversity so that all parts of the community see it not as a threat but an asset, so the country can achieve its own potential on the world stage.

In March 2018 at the ASEAN Summit in Australia, the prime ministers of Australia and Vietnam signed a Strategic Partnership which signals a significant evolution in the bilateral relationship, at least from a political perspective. There have already been increased high level visits from both nations. The Australian government is creating a framework to facilitate deeper engagement with Vietnam especially on a people to people level. The Australia ASEAN Council and the New Colombo Plan are excellent initiatives to further this agenda. But what does the partnership really mean to the people of both nations and why should it be important to them?

Identifying new opportunities for a partnership

On multiple fronts, the Australian government is visible in its support of Vietnam. On a sweltering afternoon in Ho Chi Minh City, I am standing amongst Vietnam's first UN peacekeeping contingent – the deployment of doctors and nurses from Military Hospital 175 to South Sudan to provide a military hospital. Australia supported the peacekeepers with English language training – a massive feat given their usual daily life involved almost no English. As a project manager for UTS Insearch – which has provided English lessons in Vietnam for 16 years – I was responsible for delivering the English language training for the project with the joint venture partner, ACET. Australia also provided the airlift to South Sudan. Governor General Peter Cosgrove visited the peacekeepers in Vietnam prior to their departure. The mission has signalled Vietnam's emerging maturity in the international landscape – from a once war-torn country to one that is helping to maintain peace in war-ravaged countries. As I eat with the contingent in the officer's mess, I marvel at the awesome food. They are lucky the cook will also go – his pho is apparently very good. But the reality of the new bilateral Strategic Partnership in this deployment to South Sudan goes beyond the military cooperation symbolised by the visit by the Governor General, a former military man. It extends to how sitting in a classroom studying Australian curriculum in Ho Chi Minh City will have sparked an interest amongst the hospital staff in sending their children to study in Australia.

Not long after the Governor General's visit, then Foreign Minister, Julie Bishop opened the Cao Lanh Bridge in the Mekong Delta. Australia co-financed the civil works for the bridge and 25 km of interconnecting roads with development assistance valued at $160 million. Bishop also attended a dinner with a group of Australian Vietnamese living and working in Vietnam who shared their life stories. There were stories of struggles for identity and place in Australia, searches for belonging and journeys to ancestry. I sat amongst Australians who were refugees, former international students and those sponsored under family reunion visas. The bilateral relationship is alive in these people. Australians of Vietnamese heritage and Vietnamese with connections to Australia hold the key to advancing the relationship.

But engagement with Vietnam across the diaspora is complex. After the fall of Saigon, millions of people fled by boat and in my family's case, by foot across the killing fields of Cambodia. The bulk of the initial Vietnamese community in Australia were refugees. They established formal representative bodies that waved the old Southern Republic of Vietnam flag. They established radio programs, networks, newspapers, festivals and businesses. Each time there is an official visit from Vietnam, there are protests.

Australians of Vietnamese heritage and Vietnamese with connections to Australia hold the key to advancing the relationship.

As Vietnam celebrates unification on the 30th April each year, many Australian Vietnamese travel in buses to the Embassy in Canberra to mourn their loss. But over time the composition of the community has changed. First were family reunion migrants. Then came the continuing wave of international students. And now, flows of business and skilled migrants. Overseas remittances to Vietnam are reported to reach US$10 billion in 2017.

As each year passes, there are more young people who have no memory of the war. Most people in Vietnam are under 35. While a portion of the initial group of refugees are deeply adamant about non-engagement with Vietnam, the changing nature of the Vietnamese community is and will further create opportunities. Engagement is accelerated by

commerce and market forces despite governments. Each year Australians go to Vietnam to do IVF and dental treatment because it is much less costly there and has decent results. On the other hand, the Vietnamese buy education and beef from Australia. International students to Australia who have stayed, opened businesses and married, have created a life that has nothing to do with the refugee narrative. It is important to understand that further engagement with Vietnam does not necessarily mean that the Vietnamese refugee stories are erased or that the past will not be honoured.

The diaspora has changed as some people return home

Nevertheless, tensions occur that still draw on the wartime experience. In 2017 Vietnamese authorities cancelled official commemorations at the site of the Battle of Long Tan in South Vietnam. But as deeper people to people links emerge and increased economic and cultural activities are nurtured between the two countries, tensions like the Long Tan issue may not occur, smoothed by deeper relationships.

Australia was once a powerful donor to Vietnam, but as Vietnam evolves, Australia must maintain its attitude of mutual respect, humility and openness to capitalise on this important relationship.

A lasting relationship is based on mutual respect, understanding and trust, where each recognises in the other true value. Australia and Vietnam are vastly different in terms of economic development. But GDP per capita is only one measure of maturity. In 2016, Vietnam's National Assembly had 26.8 per cent women. Australia's House of Representatives had 27 per cent. In the same year Vietnam's literacy rate reached 97.3 per cent. Australia's is 99 per cent. According to the OECD's PISA scores, the average performance of 15-year-old students in Vietnam exceeded Australia's scores in maths and science. Furthermore, the share of students in Vietnam who perform well despite disadvantaged backgrounds, referred to as 'resilient' students, also exceeds that of Australia's.

There is much to learn from each other. Amidst the geopolitical strain in the South China Sea and unpredictable US foreign policy, what is needed is stable, reliable partnerships to bring countries within the Asia Pacific into lasting, peaceful prosperity. The Strategic Partnership is both timely and necessary in today's climate. Australia was once a powerful donor to Vietnam, but as Vietnam evolves, Australia must maintain its attitude of mutual respect, humility and openness to capitalise on this important relationship. However, there must be more encouragement to help the Australian private sector to take note of Vietnam.

Vietnam's Asian neighbours are looming larger on the Vietnamese business scene, once again underlying how Australian business needs to become proactive and less risk averse when it comes to South-East Asia. Increased Government incentives and support to trade with ASEAN should be explored. Rewards from the mining boom continue to fade and the international education sector is becoming disrupted. Becoming an innovation nation means that your people are open to new ideas and perspectives.

If there is fear of doing business beyond Anglo/Euro-centric countries or that Asia simply means China, India and Indonesia, Australia's economy will recede. As the Prime Minister, Nguyen Xuan Phuc, said during the ASEAN Summit, Vietnam offers a unique window of opportunity that won't be around forever. A wide door is open to Vietnam. Australia needs to step robustly in.

Cat Thao Nguyen *is Board Chair of the Australia Vietnam Young Leadership Dialogue.*

ANNA GREEN

The new frontier: Can ASEAN be this decade's China?

A combined economic weight, vitality and diversity of the ten ASEAN economies could be the next big thing for Australian business in Asia.

Ten years ago, boardrooms across Australia were absorbed in answering "The China Question". It had become – more and more so – a critical strategic decision. China was growing, enticing, financially lucrative but complex, fraught and unfamiliar. But few doubted we were entering an Asian century, with the Asian region destined to become more important than the developed markets of Europe and the US for business opportunity and growth. And China was at its centre.

A decade later, Australian businesses are in China, willing and inevitably navigating the changing political landscapes, evolving regulatory environments and complex and nuanced cultural dynamics associated with entry into China. Many have seen significant returns and the path to entry for Australian business in China has now become more familiar territory.

Today's question – and whilst it shouldn't be a new one, it seems that it is – is whether the ASEAN region can be this decade's China. With a population of more than 637 million, many of whom represent an expanding and affluent middle class, a GDP that comprises 3.4 per cent of the world's GDP and growth expected to remain above 5 per cent in the near term, the opportunity is great.

But despite trade flows increasing, Australian business remains hesitant in engaging. The question must surely be asked – if Australian business was prepared to enter China, why not ASEAN?

In reflecting on this question, we should first consider whether the comparison is fitting: are there useful similarities or is it a neat but shallow analogy?

China 2006 VS ASEAN today

In 2006, the China story was a compelling one for Australian business. China's real GDP growth was more than 12 per cent. Its demographics were favourable to an export economy with an expanding middle class and affluent population establishing the basis for strong consumer demand. For Australia, that meant demand for products and commodities. China's exports, meanwhile, amounted to 35 per cent of its GDP.[1]

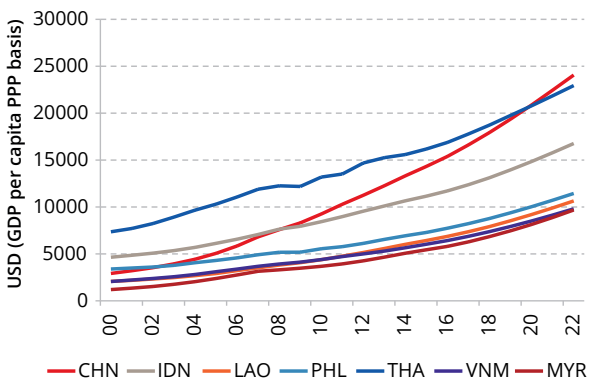
The Chinese government was opening up to international trade and companies like IKEA, Apple and IBM were growing their presence in the market with Google launching its Chinese branch in January 2006.

The ASEAN bloc today looks much the same on many of these measures. And while at a country level, and even at a provincial level across individual ASEAN countries, metrics relating to economic growth are incredibly diverse, and the "cross border" nature of doing business in the ASEAN region make comparisons with doing business in China tangibly different on many measures, there is still some instructive data to consider:

- *Whilst not matching Chinese double digit growth at its peak, the median GDP growth in ASEAN countries in 2016 hit 4.6 per cent which easily outstripped world GDP growth figures in the same year of 3.2 per cent.*

[1] This is how China's Economy has changed in the last 10 years, Andrew Wright, World Economic Forum, June 2016

ASEAN and China – Past and Projected GDP per capita income[2]



Source: DFAT Australia

- *China's growth over the last decade was unprecedented but it is interesting to note the median PPP GDP of China 10 years ago matches that of ASEAN economies today (excluding Thailand).*

Granted the projected economic growth of the ASEAN economies does not reflect the explosive double digit experience of China over the past 10 years but the story of economic growth in ASEAN will be driven by similar variables.

Like China 10 years ago, ASEAN demographics favour Australian exports, with consumer spending from the growing educated middle class who possess a healthy disposable income per capita and a fervent appetite for consumables sourced from Australian based agricultural food and mining commodities.

With the official creation of the ASEAN Economic Community (AEC) in 2015, ASEAN governments have become increasingly invested in reducing barriers to intra-ASEAN trade. With total annual inflows of foreign direct investment now outstripping those of China and a market that comprises the equivalent of about 50 per cent of China's population, the AEC seeks to become an integrated market promoting seamless cross border trade both within ASEAN and internationally.[3]

In line with this objective, ASEAN governments have increased their engagement with Australia and other countries on reducing barriers to cross border trade in the region via the TPP and RCEP trade agreements as well as growing existing bilateral relationships and agreements.

[2] ASEAN Now Insights for Australian Business, Australian Government, November 2017

[3] ASEAN is Looking like a China 2.0 Play, Forbes Magazine, April 2016

Challenges

If at a high level the market similarities are notable, so too are the challenges.

Notwithstanding the introduction of the AEC, ASEAN is by no means a heterogeneous market. However, China in 2006 was similarly characterised as a fractured market for international business wishing to enter, with no single point of reference on the application of the myriad of different rules and regulations administered by the various state and provincial authorities in China. ASEAN with its 10 member states, each with their own cultures, differing regulatory environments and diverse social, political and religious operating environments, present similar challenges for new entrants.

Issues relating to compliance, opaqueness of the legal framework, challenges with consistency in application of laws relating to trade and customs and geographically disparate populations are also common across the two markets.

Achieving Success in China

Are there lessons then from international companies that were successful in setting up in China when it was at a similar stage in its development? The evidence suggests there are common themes which contribute to a company's overall success, which include:

- A long term strategy and commitment to the market
- Thorough due diligence of their entry points
- Being open to using wholly owned subsidiary structures
- Being willing to engage with Chinese government contacts in a meaningful and culturally appropriate manner
- Seeking out the right local advice in establishing joint venture partnerships

Australian business experience in ASEAN to this point would suggest similar maxims for success can and should be applied to approaching business in ASEAN.

Anecdotally it can be seen that businesses which have invested in longer term "ride it out" strategies across the ASEAN region have seen most success.

Australia's logistics giant, Linfox, has been in the region since 1992 and has carefully invested time on the ground in each of the countries in which they operate to properly understand the operating environment before entering.

International CEO for Linfox Greg Thomas notes the company's plans for expansion in the ASEAN region in 2018 include:

"Investigating strategic acquisition opportunities and joint ventures as well as building capabilities internally...and committing resources to gain a better understanding of the logistics requirements in these countries."[4]

Similarly, Blackmores which, having recently weathered a substantial drop in their share price as a result of the changing regulatory landscape in the ever shifting Chinese consumer market, continues to pursue opportunities to expand their footprint across ASEAN.

Peter Osborne, Blackmores Managing Director Asia, notes that the company views its key to success in the region as being driven by three factors:

"We employ very good country managers, typically from a multinational fast-moving consumer goods background, and build very strong local teams because they understand the market. Furthermore, we're a brand that focuses on quality and we believe you have to educate your consumers and your partners about that."[5]

Missing the opportunity

Whilst these two examples of Australian success in the region highlight these companies' commitment, strategic planning and corporate resilience, the reality of Australia's engagement with the ASEAN region and in Asia more generally appears to be far less rosy.

PWC's report *"Passing Us By: Why Australian businesses are missing the Asian opportunity"* presents a stark view of Australia's lack of engagement with the region, which policy makers and business leaders have noted with increasing unease.

It states that as at 2015, only nine per cent of Australian businesses were operating in Asia and only 12 per cent had any experience of doing business in Asia at all.[6]

And perhaps more worryingly. the majority – around two thirds – of Australian business had no intention of changing their stance to doing business in the region in the next two to three years.

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[4] Solutions Magazine, Linfox, Dec/Jan 2018
[5] ASEAN Now Insights for Australian Business, Australian Government, November 2017
[6] Passing Us By: What Australian businesses are missing the Asian Opportunity and what they can do about it, PwC, December 2014

Australia's hesitancy to engage means we are also falling behind other countries in our investment in the region. Japan has more than doubled and China more than tripled their investments in Asian countries since 2007. And the EU contributed 22.4 per cent of total FDI inflow to ASEAN countries from 2011 to 2013.[7]

Whilst Australian business has stepped up its engagement, its lack of "on the ground" presence in many ASEAN countries and preference for investment in lower growth markets like New Zealand, indicates a general reluctance to commit to the differing ways of doing business that the region requires for success. Refer to diagram below.

New opportunity – the digital journey

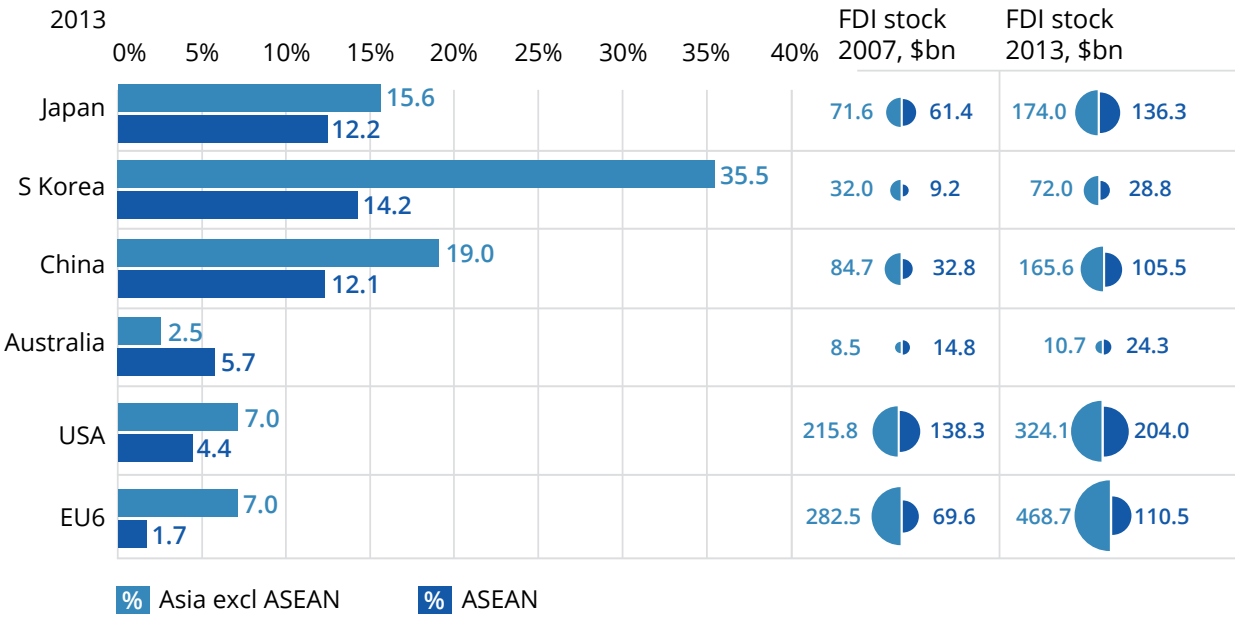
This difference is perhaps even more marked when we consider how China and ASEAN are likely to do business in the future. Both China and ASEAN share compelling metrics with respect to the opportunities for Australian business with their burgeoning digital economies. China has well and truly edged ahead of other markets as the innovator with respect to online business, with companies like TenCent and Alibaba investing early and heavily on infrastructure, market research and network incentives to grow this lucrative market both locally and internationally.

The Chinese economy has been on a digital journey in the past 10 years that has taken it from a population with a relatively small digital presence (only 1 in 10 people were online) to one in which almost every person has a mobile phone, over half of whom use that phone for accessing the internet to shop. China has become the world's largest and most dynamic e-commerce market and today more than 21 per cent of the world's internet usage now occurs in China.[8]

To put this in perspective in terms of business opportunity, according to China's National Bureau of Statistics online retail sales in China reached 5.16 trillion yuan (US$752 billion) in 2016. And China's innovations in online payment systems via WeChat and Alipay are providing international business with a vehicle in which to enter the online market.

Australian companies like Blackmores and Capilano Honey have recognised that the Australian "brand" of health and wellbeing appeals to Chinese consumers and have found a voracious online market for their products.

A recent McKinsey and Company report estimated that the value of cross-border e-commerce transactions with China was valued at more than 50 billion Australian dollars in 2015.[9]



Source: DFAT, Bank of Japan, JETRO, Australian Bureau of Statistics, Heritage Foundation, OECD and PwC Analysis

[7] Ibid.

[8] www.Internetlivestats.com

[9] Cross border e-commerce is luring Chinese shoppers, McKinsey & Company, December 2015

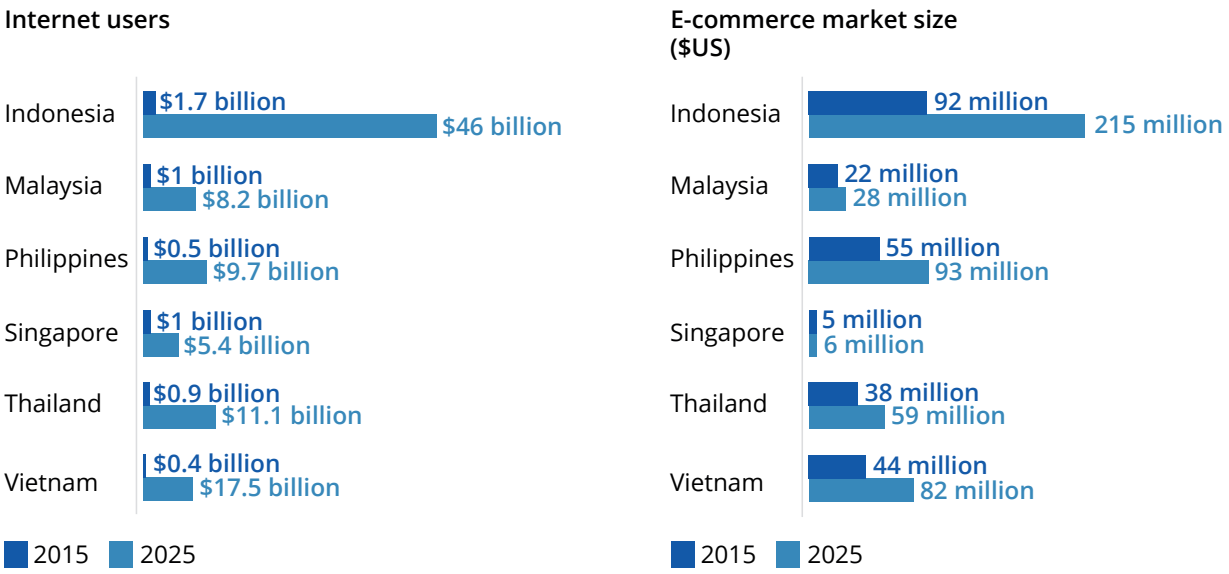


Figure 1: Forecast Internet and e-commerce growth in six ASEAN countries

And an Australian Government business update noted that whilst there were no official trade statistics on the volume of Australian products sold to China through e-commerce, Australia is estimated to be the fourth most popular source of products behind the United States, Japan and Korea.

By comparison, the ASEAN markets remain relatively untapped where it comes to e-commerce. Consistency of digital platforms, regulations, infrastructure and internet speed remain a challenge for development of the e-commerce market across the region. But the statistics on the potential for growth are powerful, with DFAT noting that e-commerce in ASEAN is expected to grow at 14 per cent over the next five years whilst China is expected to grow at only 5 percent over the same period, with the value of the e-commerce market in ASEAN predicted to reach over US$97 billion in the six major ASEAN economies by 2025.[10]

Lessons for success in ASEAN – act now

There is no doubt ASEAN presents Australian business with similar opportunities for growth that the now more developed Chinese market offered in its earlier years. The statistics in terms of opportunity speak for themselves. Whilst differences in the geopolitical, cultural and regulatory environments make any such approach to entrance necessarily different, Australian companies should be entering and engaging with ASEAN with the same vigour – indeed more given the slow approach until now– they did a decade ago in China.

For this reason alone, Australian business cannot afford to continue to see ASEAN as "all too hard". What makes the need for immediate action even more important is the practical reality that companies which have made the Chinese market a success for their business have done so after, in most instances, significant time. An entry to China, and, it can be argued ASEAN is not a short-term play.

Adding to the urgency is the reality that the economic growth countries across ASEAN are seeing now is not cyclical. It is a function of the dynamics of the growth in consumer demand across the region, driven by the expanding middle class with access to an increasing disposable income. This too, is finite.

So, as with China ten years ago, the need to engage with and have a strategy for growth in ASEAN to take advantage of the opportunities the region has to offer for Australian business is real and immediate. The challenge for Australian business remains how to implement a strategy that allows it to operationalise the significant scale that the ASEAN markets have to offer over the longer term – not an easy feat but one that ultimately will pay significant dividends.

Anna Green *is the Chief Executive of Philippines at Australia and New Zealand Banking Group Limited.*

This essay was first published in the Disruptive Asia ASEAN Special Edition in March 2018.

[10] ASEAN Now Insights for Australian Business, Australian Government, November 2017

PETER OSBORNE

Asia's health and wellness revolution can change its future

Can Australia and ASEAN take a world-leading role in recognising the contribution traditional and natural medicine can play in improving the health and lives of people in our region?

Global mega-trends of health and wellness are sweeping across Asia and ASEAN. No matter what level of economic development a country has everyone wants to be healthy – as the saying goes "A healthy person has many wishes, an unhealthy person has only one wish". Healthcare products and services, well-being retreats and spas, preventative healthcare, traditional medicine, fitness classes and gyms, life coaches and integrative medicine, across ASEAN the opportunities for Australian companies are significant.

The opportunity is not simply about sales and profit but about making a real contribution to the public health agenda in ASEAN and most importantly assisting and supporting consumers to live better, healthier lives.

However, the Australia-ASEAN relationship around health and well-being is not a one-way street and the opportunities for trade, investment, research and academic flows are considerable.

While awareness of Traditional Chinese Medicine (TCM) is quite widespread, lesser known is that all countries in ASEAN have a heritage of traditional systems of medicine. As has been noted by the World Health Organisation[1] "there are large numbers of traditional medicine practitioners (in South-East Asia) who provide help and service to the ill and the needy. It is important that this unique knowledge, often found in ancient texts, be utilized by countries to the maximum extent possible without endangering the environment and destroying the very plants which are the source of the medicine".

The opportunity is not simply about sales and profit but about making a real contribution to the public health agenda in ASEAN and most importantly assisting and supporting consumers to live better, healthier lives.

It is also interesting to note that at China's 19th National Congress of the Communist Party of China, China's President Xi Jinping proposed supporting both traditional Chinese medicine and Western medicine and ensuring the preservation and development of traditional Chinese medicine. Xi noted that traditional Chinese medicine embodied the essence of the traditional Chinese culture and in the future traditional Chinese medicine and Western medicine should learn from each other to achieve win-win common development.

Blackmores, Australia's leading natural healthcare company, has an 86-year history of healthcare based on naturopathic principles. Naturopathy, or naturopathic medicine, is a system of medicine based on the healing power of nature. Naturopathy is a holistic system using a variety of natural therapies and techniques such as nutrition, behaviour change, herbal medicine, homeopathy, and exercise. There are strong similarities between naturopathy and traditional medicine practiced throughout Asia with the principles of "prevention rather than cure".

Thousands of years of history in traditional medicines, herbal and natural treatments in Asian societies and the acceptance of natural medicine has no doubt assisted the success of Blackmores in Asia.

Blackmores has been active in ASEAN for more than 40 years with Marcus Blackmore, the son of our founder, Maurice Blackmore, seeing the opportunities in Asia well before other foreign companies. Our deep history in both Australia and Asia, has made us a leading brand in a number of ASEAN markets, including being the number one and most trusted brand in Thailand, Malaysia, and Singapore.

High growth, high barriers, high expectations

The vitamins and dietary supplement (VDS) product market in ASEAN is valued at close to $10 billion and experiencing double digit growth. McKinsey[2] has noted a number of key factors driving growth in the dietary supplement market:

- Aging populations
- Increasing consumer awareness of preventative healthcare
- The rise of the self-directed consumer
- Channel proliferation
- A shift from ingredient focused messaging to broader brand positioning

These factors, and many others, will continue to see opportunities evolve and expand in ASEAN for both local and foreign companies alike.

However, these opportunities are counterbalanced by a range of challenges, particularly around regulation with efforts underway to reduce the significant variations between ASEAN markets.

ASEAN is characterized by considerable diversity in terms of geography, society, economic development and healthcare systems and outcomes. The health systems as well as healthcare structure and provisions vary considerably. The quality and nature of health service delivery still varies considerably, as the health systems of ASEAN's member states find themselves at varying stages of evolution towards the common goal of Universal Health Coverage (UHC). For instance, while Singapore has arguably the most developed and efficient healthcare system in the region, with the highest annual health spending on a per capita basis compared to its ASEAN peers, Myanmar as a lesser developed ASEAN country merely spends an average of US$20 on healthcare for each of its citizens.

[1] World Health Organisation, SEARO Regional Publications No. 39, Traditional Medicine in Asia, 2001

[2] McKinsey & Company, "Cashing in on the booming market for dietary supplements", December 2013

In 2004, under the umbrella of the ASEAN Economic Community (AEC), the Product Working Group for Traditional Medicines and Health Supplements (TMHSPWG) was established. Reporting to the ASEAN Consultative Committee on Standards and Quality (ACCSQ) the TMHSPWG was tasked with:

- Implementing measures for the integration of traditional medicines and health supplements stipulated in the ASEAN Healthcare Integration Roadmap
- Harmonising technical requirements and exploring possible Mutual Recognition Arrangements
- Eliminating technical barriers to trade for TM and HS, without compromising public health and safety to the ASEAN peoples

The original intention of the ASEAN Healthcare Integration Roadmap was to have an integrated ASEAN healthcare system by 2010, which in hindsight was probably an overly ambitious goal. This was revised as part of the AEC Blueprint 2025 and progress continues to move forward towards harmonisation and mutual recognition agreements.

As an active participant in the ASEAN harmonisation process through our presence in a number of ASEAN markets, Blackmores has been a strong advocate for both harmonisation but equally importantly the concept of mutual recognition of regulatory regimes and standards in the health supplements category.

Australia's regulatory environment for complementary medicines is highly regarded throughout the world and within Asia. Understanding that all countries have an obligation and sovereign right to protect the health and safety of their own citizens, Australia has experience, bureaucratic and administrative expertise, and a historical track-record to support the ongoing evolution of a globally compatible regulatory environment for health supplements in ASEAN.

Australia has experience, bureaucratic and administrative expertise, and a historical track-record to support the ongoing evolution of a globally compatible regulatory environment for health supplements in ASEAN.

There is a sound opportunity for ASEAN to borrow elements or recognition from a mature regulatory system for complementary medicines, such as in Australia, particularly where these products are distinctly recognised over general food products and pharmaceutical drugs.

Mutual recognition is often a good starting point for governments at a bilateral level to be able to advance trade flows between their markets and the VDS and the health supplement sector is no exception. Blackmores would encourage regulatory authorities in Australia and ASEAN to actively pursue increased mutual recognition of standards, testing methods, ingredients and safety standards.

As a company with its consumers' health and well-being as its core focus, Blackmores sees an opportunity for governments in Australia and ASEAN to also adopt an approach of "consumer centricity" when considering how to take forward higher level strategic, bilateral and regional initiatives relating to regulation, harmonisation, trade and investment flows.

Vitamins, dietary supplements, traditional and natural medicines are inherently low risk. The goal of regulation should be to ensure that consumers are not put at risk by poor manufacturing standards, quality practices or inappropriate claims.

Putting the consumer first, means that everyone thinks of what's best for a consumer's health and wellbeing, that consumers have the ability to make choices from a range of healthcare products, services and solutions that ultimately enable them to meet their own personal health and wellbeing goals.

Asia now leads the world in online e-commerce purchasing behaviour. This exponential evolution of the way consumers research and purchase products online means that they are now essentially "no borders" and consumers are truly global. The need for standards that are consistent and based on similar principles and recognition across multiple markets is now more critical than ever, particularly in ASEAN where consumers are some of the most active users of ecommerce in the world. If access to certain products is limited by regulations in the normal "bricks & mortar" offline retail market, consumers will simply purchase products online where regulatory oversight is often limited.

A natural answer to the region's health challenges

Traditional and natural medicine in ASEAN and Australia provides a significant opportunity to advance the broader public health agenda. As has been noted by Australia's peak industry body Complementary Medicines Australia (CMA):[3]

[3] Complementary Medicines Australia (CMA), "A Future for the Complementary Medicines Industry"

"There is a real and immediate role for Complementary Medicines in contributing to primary health through primary and secondary prevention of illness, creating healthy communities and businesses, and by encouraging and empowering all Australians to take better care of their health. The establishment in 2011 of the Australian National Preventive Health Agency (ANPHA) was recognition by the Government that prevention in the first instance beats cure when a problem occurs. However, the contribution of Complementary Medicines is absent from their agenda. Complementary Medicines offer low-risk, efficacious interventions that can prevent or delay the onset of a wide range of chronic diseases that place a huge burden on the Australian community."

Given the stress on health care budgets around the world, particularly in ASEAN, the inclusion of traditional and complementary medicines and their role in healthcare should be more actively considered by policy makers throughout Australia and the ASEAN region.

Considerable research has been undertaken by the World Health Organisation and other agencies noting that "greater use could be made of medicinal plants at the primary health care level so that all persons could have recourse to herbal medicine – particularly those living in areas without any allopathic health care coverage. Further research directed at a few of the chronic diseases against which more drugs are needed, such as diabetes, bronchial asthma and arthritis, could lead to the discovery of new drugs for these conditions. Regulated and selective export of some of these medicinal plants being eagerly sought after in other parts of the world could considerably enhance the foreign exchange earnings of countries with this biodiversity.

Careful planning is needed so that such a programme could be launched without detriment to the environment and without reducing the availability of the medicinal plants in the countries. The very large numbers of trained and semi-trained practitioners of the traditional systems of medicine could become more involved in the national health care systems of these countries. Such involvement can come about only as a result of some regulation of the systems being followed, the products used for health care and the practitioners of such systems.

It is important also to take steps to ensure that unethical and unjustified exploitation of these plants, which have been used for centuries, is prevented – particularly the patenting in western countries of these remedies. At the same time, it is necessary to protect the discoveries being made in the countries of the region by scientists and research workers who are carrying out research and discovering and documenting the effectiveness of the plants used.

As healthcare budgets around the world, particularly in ASEAN are increasingly under stress, the inclusion of traditional and complementary medicines and their role in healthcare should be more actively considered by policy makers throughout Australia and the ASEAN region.

The strong relationship between Australia and ASEAN, the prevalence of traditional and natural medicine in Asia, and the strong position vitamins and dietary supplements play in the health and well-being regimes of Australians, provides a unique opportunity for Australia and ASEAN to take a world leading role in recognising the contribution these industries can play in improving the health and lives of people within our region.

As a company with a long history in the ASEAN region Blackmores encourages more cooperation between Australia and regional countries in a number of areas that could be actively advanced with a common purpose of a healthier future and reduced public healthcare budgets:

- Mutual recognition of regulatory regimes and standards in the traditional medicine and health supplements category
- Joint bilateral research projects in the areas of traditional medicine using native herbal and plant-based ingredients sourced within ASEAN countries
- Establishment of a dedicated ASEAN Australia working group on traditional and complementary medicines

As the Indonesian saying goes "Gajah mati meninggalkan gading, harimau mati meninggalkan belang, manusia mati meninggalkan nama" When an elephant dies it leaves its ivory, a tiger leaves it's stripes and a man his name. The things you do in life are remembered after you're gone.

Peter Osborne *is the Managing Director, Asia at Blackmores.*

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DAVID BURNS

A connected South-East Asia

If ASEAN successfully harnesses the benefits of disruptive technologies, it is set to become a major force in the global digital economy. Australia can play a pivotal role.

The inaugural ASEAN-Australia Special Summit held in Sydney in March marked an important milestone for Australia and South-East Asia, coinciding with a time of global change that will shape our collective future.

As the world enters an era defined by digitisation and connectivity, no other region is more poised to benefit than ASEAN.

Counting among its 10 member states some of the world's fastest growing economies, like Philippines and Vietnam, the World Economic Forum predicts ASEAN will become the world's fifth largest economy by 2020. Google notes that the region's Internet economy hit US$50 billion in 2017 alone, making it the third largest global region for Internet users.

South-East Asia's large and growing population is young and enthusiastically taking up new technologies in its cities, while its rural areas are increasingly being connected through improved Internet and mobile infrastructure.

The latest data from global social media agency We Are Social shows that while just 58 per cent of South-East Asia's population is online today, countries such as Indonesia and Vietnam are recording some of the world's biggest jumps in social media user numbers – at year-on-year growth rates of 23 per cent and 20 per cent respectively. In the one-year period leading to January 2018, Indonesia saw its active social media user base grow by 24 million – a number equivalent to the Australian population.

South-East Asia's large and growing population is young and enthusiastically taking up new technologies in its cities, while its rural areas are increasingly being connected through improved Internet and mobile infrastructure.

With a population of 265 million, it is incredible to think that Indonesia has 416 million mobile connections and 130 million individuals active on social media. Indonesian consumers spend on average nearly nine hours online every day. With an e-commerce penetration rate of just 11 per cent, Indonesia's online consumer goods market is valued at US$7 billion and growing at more than 20 per cent year-on-year.

A recent study by ATKearney found that the implementation of a radical digital agenda could add US$1 trillion to ASEAN's GDP over the next decade. The question now is how can Australia and Australian companies help their ASEAN counterparts capture this enormous opportunity.

This is a question that Telstra has already considered and is working to address in a variety of ways.

Skills gap both a challenge and opportunity in ASEAN's digitisation

One of the most fundamental challenges for the ASEAN region to overcome, as it seeks to capitalise on digitisation, will be the skills gap – a stumbling block for many economies around the world.

Telstra's Connecting Commerce study conducted by The Economist Intelligence Unit found a high level of business confidence in South-East Asian cities' digital environments. Manila led the way in the region, ranking sixth out of 45 cities, while Jakarta ranked eighth and Singapore 14th.

Similarly, our previous Connecting Capabilities research saw Singapore topping the Asian Digital Transformation Index – a ranking of 11 Asian markets based on 20 digital transformation indicators – ahead of both the UK and Australia.

This research confirmed that while each South-East Asian country saw significant confidence in its ICT infrastructure, financial environment, and ability to develop new technologies, all found the toughest challenge to be a lack of talent.

This skills gap, particularly in relation to digital and technological skills such as security and analytics, offers an opportunity for international partnership, such as Telstra's partnership with Telkom Indonesia.

Partnering for success

In 2014, Telstra established a joint venture with Telkom Indonesia, named telkomtelstra.

Last August, the two companies announced they would launch a talent exchange program, reinforcing their commitment to building bilateral capabilities. This program will develop globally-minded talent, supporting the diverse and growing business of telkomtelstra in the region.

While each South-East Asian country saw significant confidence in its ICT infrastructure, financial environment, and ability to develop new technologies, all found the toughest challenge to be a lack of talent.

Telstra is also a participant in the New Colombo Plan, the initiative launched by the Australian government in 2014 which provides study and work opportunities for Australian undergraduates to deepen their understanding of the Indo-Pacific.

Telstra also recently announced a Memorandum of Understanding to explore the establishment of a new Indonesian Global Delivery Centre through our joint venture with telkomtelstra. This will leverage the large pool of digital talent available in Indonesia, and support Telstra's international growth strategy.

Opportunities for ASEAN-Australian partnership

Another element critical to the growth of a digital economy is, quite simply, connectivity.

Telstra has played a key role in ASEAN on this front, from building the first overseas telecommunications infrastructure in Vietnam and Cambodia, to providing connectivity solutions through its operations in Indonesia, Malaysia, Philippines, Singapore and Thailand.

Connectivity throughout ASEAN is delivered by a network of sub-sea cables that connect it to the United States, its member states, and of course Australia. Telstra's sub-sea cable network is the largest in the Asia Pacific – carrying up to one-third of the region's Internet traffic – and this investment will be stepped up as demand for data grew by 70 percent in Asia last year.

Most recently, Telstra announced its role in a consortium with AARNet, Google, Indosat Ooredoo, Singtel Optus and SubPartners to build a new international subsea cable system called INDIGO that will connect Singapore, Indonesia and Australia.

Active involvement in the region – through local investment, partnering to train a new, skilled, global workforce, and learning from new, innovative companies – will enable Australia to grow alongside ASEAN and fulfil the opportunity of a new, connected South-East Asia.

This will provide around 40 times more capacity than the current cable in place, enabling better connectivity and providing huge opportunities for business, particularly in the areas of e-commerce, education, research and innovation.

Connectivity remains a strong focus for Telstra and its various partners across Asia Pacific.

ASEAN innovation

Another growth arena for ASEAN has been in the area of start-ups. Mention successful ASEAN-based start-ups, and a few invariably come to mind: Singapore's Sea (rebranded from Garena), Razer, the Philippines' Revolution, or Indonesia's Traveloka. A number of start-ups in the region have taken learnings from global success stories and adapted them by incorporating local nuances.

Indonesian ride-hailing platform Go-Jek is a perfect example of this. Modelling its business after the Uber platform, Go-Jek has made the most of its local knowledge to win against bigger competitors. It focuses on scooters rather than cars because they are more affordable for drivers, negotiate the dense traffic of Jakarta and other cities better, and let it scale more quickly. As a result, Go-Jek grew fast, leveraging network effects to extend its offerings to moving services, tickets, deliveries, and booking services like massages. A uniquely South-East Asian success story, the company is now valued at US$5 billion.

Telstra has recognised the potential of South-East Asia's rapidly growing technology start-up sector, having partnered with Telkom Indonesia to co-invest in two companies, with more expected to follow.

Connecting to opportunity in South-East Asia

South-East Asia's rise as a digital economy powerhouse presents huge opportunities for Australian companies in infrastructure partnerships, digital services, and exchanges in innovation.

Yet, there will be challenges in infrastructure and skills, and a requirement for local knowledge that place even greater emphasis on the importance of partnership with in-country organisations.

Active involvement in the region – through local investment, partnering to train a new, skilled, global workforce, and learning from new, innovative companies – will enable Australia to grow alongside ASEAN and fulfil the opportunity of a new, connected South-East Asia.

If ASEAN successfully harnesses the benefits of disruptive technologies, it is set to become a major force in the global digital economy – bringing benefits not just to South-East Asia but to all those who help it on its digital journey.

David Burns *is Group Executive, Global Business Services at Telstra.*

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SHAMIM RAZAVI

Enhancing the rule of law in Asia: the Australian role

Just as the New Columbo Plan has emphasised learning from Asia, so our development of the rule of law can also stimulate our own learning - learning how to better read and engage with Asia.

International development spending is a core part of Australia's soft power. With a myriad of worthy calls on this pool of funding, a difficult question for every government is the prioritisation of how best this budget should be spent.

Of course, the primary aim of such spending should be to honour our moral duty to help those in greatest need in our neighbourhood. From areas such as improving governance, to promoting and supporting gender equality and opportunities for women and girls, to providing relief in times of humanitarian crises or natural disasters, Australia helps our closest neighbours and works with small organisations, foreign governments, and international bodies such as the World Bank above all because it is right to do so.

However, there is also a significant portion of the budget where the choices are less clear cut. In the context of ever increasing pressure on the available funding for international development, consideration of the results such expenditure delivers – not just for the recipient region or country but in terms of the impact it can have more broadly, including delivery of tangible benefits back to Australia – may help preserve that budget against competing domestic demands. Through this prism, this essay sets out some observations on the importance of Australian investment in the rule of law in Asia, the direct benefits which such investment would bring to Australia, and considers whether progress on the rule of law in Asia also requires a shift in mindset and perceptions within Australia.

Barriers to doing business in Asia: the law thing

There are many reasons why Australian business shies from Asia, ranging from the good (the strength of our domestic economy and market), through the bad (fear of Bali belly), to the ugly, but one of the most frequently cited – and perhaps best founded – is a mistrust of other countries' rule of law. In part this stems from the definitional vagueness as to what the rule of law specifically entails. For clarity, let's proceed on the basis of Walker's observations that the rule of law is the system that requires all people (including government) to be ruled by and obey the law, and that such a law is capable of being known and understood and able to be followed.[1]

There are many reasons why Australian business shies from Asia, but one of the most frequently cited – and perhaps best founded – is a mistrust of other countries' rule of law.

It would be a gross generalisation to say that this mistrust applies uniformly across Asia or uniformly across the minds of Australian business. However there does seem to be a directly proportionate relationship between the extent of the growth opportunities in a jurisdiction and the wariness we have of being subject to its legal regime. This is not a uniquely western perspective – it is, for example, very common for Indonesian-owned businesses within Indonesia to opt for Singapore arbitration rather than their own more mercurial domestic courts. If even domestic players mitigate against a deficit in the rule of law, foreign businesses must inevitably be equally wary.

There are several aspects to the strengthening of the rule of law in which Australia has played and must continue to play a key role and which have direct benefits for business back home: legislative and regulatory development, strengthening the legal profession, and business ethics and anti-corruption.

Legal theorists spend tremendous energy in defining and questioning the very existence of international law, but a system of legal norms and standards with near universal application have quietly grown up by necessity. These include not only the high profile body of customary international humanitarian and human rights law but also the more quotidian body of rules and norms which make global trade and commerce a reality. The recent implementation across our region of the Basel standards in the fallout of the global financial crisis - an implementation that has become essential to building confidence in a nation's banking system – is a good example of a global 'law' which countries have rushed to adopt. Such regulatory regimes apply to all aspects of global commerce and Australia's foreign aid and technical assistance is crucial to ensuring their consistent and ongoing domestic adoption across Asia.

Technical cooperation is also central to the improvement of a country's body of laws. Rapidly developing economies suffer from laws attempting a hasty marriage of domestic and international rules, the drafters of which too often find they must repent at lengthy leisure. Foreign-sponsored technical assistance in this area can ensure that a coherent, comprehensible and predictable set of laws emerges.

Another trend in legal reform which must be encouraged and supported is the long-overdue overhaul of legal regimes left behind by departing colonial powers. Archaic laws which have been long-superseded in the 'mother' country often remain current in post-independence states with bigger fish to fry. Australia, as a regional example of a well-developed legal regime, can play a significant role in showing the relative ease, and importance, of frying these fish too. A good example is Myanmar's recent overhaul of its insolvency regime (an overhaul in which Norton Rose Fulbright Australia has played a part).

[1] Geoffrey de Q. Walker, The rule of law: foundation of constitutional democracy, 1st Ed, 1988.

Beyond the laws: the legal profession needs attention too

Department of Foreign Affairs and Trade figures show that development assistance for legal and judicial development in the Asia Pacific increased to a recent high around 2010-12, but has since mostly fallen back (though is notably still significantly larger than a decade ago). This area has been a focus on international development in the region over the decade, and rightly so given the immense reach its benefits can deliver – to individuals, to local businesses, international businesses, and the overall attractiveness of a jurisdiction for private sector investment and development.

Australian legal and justice development spending (in $'000)

	PGN & Pacific Islands	East Asia	South West Asia	Other Asia Total (Pacific/Asia)
2005-06	93,128	16,949	-	110,085
2006-07	78,245	21,062	344	99,655
2007-08	73,150	26,580	749	100,502
2008-08	64,858	38,712	849	104,427
2009-10	205,204	49,665	682	256,966
2010-11	190,061	47,079	1,408	253,272
2011-12	186,152	43,866	1,846	248,880
2012-13	147,712	37,158	2,882	202,996
2013-14	148,774	38,329	-	195,592
2014-15	158,421	23,650	-	208,387
2015-16	141,197	16,670	-	183,700
2016-17	147,508	15,697	-	167,627

Full data at: Table 11 https://dfat.gov.au/about-us/publications/aid/statistical-summary-time-series-data/Pages/australias-official-development-assistance-standard-time-series.aspx]

The most immaculate set of laws and regulations is useless without the right practitioners to administer it. Aid spending is regularly, and necessarily, made on training judiciaries and has been a focus of the recent legal aid spending. A fear of judicial outcomes – a lack of predictability of how judicial interpretation will be applied to a set of facts – is crippling for the rule of law and for investor (and individual) sentiment and confidence, and we must continue to support such training across the region. Indeed, this is really the other side of the coin of legislative reform: where we have experience of how certain new rules and regimes play out in the real world it would be derelict of us to drop a set of laws, no matter how perfectly formed, and walk away.

But there is more to strengthening the legal profession than merely training judges. For most, interaction with the system of justice is experienced through the medium of registry clerks and administrators, though public access (or lack thereof) and ultimately through lawyers. Looking at it from the domestic perspective of countries in our region, the asymmetry of arms between international fly-in lawyers and their domestic counterparts breeds mistrust of contracts and forms, which can lead to misunderstandings, that makes for bad business. The rule of law requires development in all those points at which the public intersect with the law. Indeed, it requires perhaps above all development on the part of the international lawyers to work in closer partnership and with greater humility with their local brethren. This is something that transcends the provision of financial assistance for domestic professional training, but can have a similarly substantial impact.

Indeed, this is something that a number of Australia's statutory bodies have engaged with throughout the region (separate to the Government's formal international development program but providing similar tangible benefits). For example, the Australian Government Solicitor (AGS) has delivered legal training for government lawyers and public servants in Papua New Guinea as part of their international pro bono efforts. AGS have also delivered legal education and training alongside the Bridges Across Borders South-East Asia Community Legal Education Initiative Australia in Vietnam. On a wider policy issue of great importance to business both at home and overseas, the Australian Competition & Consumer Commission oversees the Competition Law Implementation Program targeting the building of capacity of ASEAN states to fight anti-competitive activities in their respective markets, helping to deliver tangible outcomes not just for the consumers in those countries but those in the region through fairer business practices and delivery of goods and services. Such efforts complement the formal international development program, and are key ways

The rule of law development requires – perhaps above all – for the international lawyers to work in closer partnership and with greater humility with their local brethren.

international lawyers and experts from Australia contribute to strengthening local legal professionals beyond the bench.

The need for development in the area of ethics and anti-corruption needs scant further elaboration. It is worth noting, however, the current, and correct, trend of speaking of business ethics and anti-corruption together in the same breath: without businesses willing to entertain corruption (the supply side, if you will) the corruption business would soon suffer financial – to add to its moral – bankruptcy.

A shift within Australia?

This brings us to the issue of the role Australia – and its government and businesses – have played and must play going forward. It is important to recognise that there is need for development not only by "them", but also by "us" as well.

My own experience of working with Australian businesses in "difficult" Asia is that they fall into two categories: those who engage with, and try to grow in, Asia (while correctly refusing to bribe or compromise with their ethics); and those who are put off by the complexities and stay removed from the more challenging parts of the region. Mercifully, I can report that instances of a willingness on the part of Australian business to violate their ethics or domestic laws are non-existent.

However, the list of those staying removed is unnecessarily long, and shortening it requires for a program of education at both ends. For example, we note in the above paragraphs that local businesses in these jurisdictions share many of the challenges felt by foreigners examining the local market - a reluctance to use domestic courts being a good case study which illustrates the importance of looking to the solutions those local players have adopted. In the case of an aversion to local courts, international arbitration is one solution.

It is important to recognise that there is need for development not only by "them", but also by "us" as well.

Allied to this is the Tarantino-esque "Mexican stand-off" theory of dispute resolution: local businesses have so many cross-cutting deals and ventures with a small pool of counterparts that they know that pulling a trigger on one will inevitably result in another being fired right back at them. Similarly, when you cannot rely on your courts, you learn to concentrate due diligence not on crossed-t's and dotted i's but rather on the reputation of your partner and counterparts: can this handshake be trusted? We may not traditionally recognise these elements as being part of the rule of law but in function (if not in form) they serve exactly as such.

Similarly, domestic businesses often find that rules and regulations unhelpfully and contradictorily overlap – and so they look to established practice and market behaviour. This may not be as satisfying perhaps as the dusty law reports from our jurisprudential studies as sources of authority but, in those markets, is authoritative nonetheless.

Reading Asia

All of which is to say that the process of education works in both directions. Just as the New Columbo Plan has emphasised learning from Asia, so our development of the rule of law can also stimulate our own learning – learning how to better read Asia, and how to better understand a burgeoning rule of law which may not match ours identically but which is working to deliver the same adherence to fairness though requiring further development. We can always improve the rule of law, and our aid spending should continue to try to do so, but we can also improve our own understanding, and we can do that only by engaging with more enthusiasm, with more creativity, and with more humility, with our Asian neighbourhood.

Such an approach, and focus on the benefits that international development spending in this area can bring not just for our partners in the Pacific but for Australia, can deliver an outcome that is beneficial to all and – importantly – be a positive bulwark in broader discussions about the value of such work.

Shamim Razavi *is a partner of Norton Rose Fulbright Australia.*

BEDE MOORE

Delivery time: Australia's opportunity to take a Go-Jek ride

The tech boom offers the possibility of a more comprehensive economic relationship with Asia.

There is little that is novel about the rise of Asia amongst Australian audiences. Australia has spent decades attempting to come to grips with the relative repositioning of its neighbours. It has encouraged its students to learn Indonesian, Mandarin, Japanese. It has brought Asia's talent to its shores to study. Australia has spent billions on aid in its region and produced its own tome on the Asian Century. It has grappled with the geopolitical growth of its region like few other nations.

There is much to show for these efforts, not least the depth of public awareness and the erudition of our political understanding about the epochal changes unfolding to Australia's north. We have built a very healthy trade in primary exports and more recently combined it with a huge serve of educational services exports. There is much of which Australians can be pleased.

Nevertheless, Australia, and particularly its companies, are failing to comprehend the extent of change being wrought in our region and the impact this will have particularly within the commercial sphere. In general, business understanding of the Asian Century is about as vague as the term used to describe it. Companies know there will be more consumers and more money, but they have struggled to build an enduring presence beyond the routine dispatch of primary products.

There will always be money selling food and resources, but unless Australia rapidly advances to a more sophisticated engagement with Asia – both in terms of the goods we trade and in the type of engagement we have with the disparate regions of this vast area, particularly South-East Asia – we risk the prospect of forgoing the region's economic metamorphosis, and the high-value, high-skilled jobs that will be created by it.

That Old Chestnut

Disruption is a hackneyed term in 2018, but it does deserve its application when describing the surging upheaval of Asia's political economy. Most Australians are familiar with the historical plot line of this story, which describes the emergence of China after the 1978 economic reforms and the ensuing four decades of 10 per cent average annual GDP growth.

No country in history has undertaken such a dramatic rise in affluence, and newfound Chinese riches have in turn created the demand that is felt in Australia's mines, on its farms, and in its universities and tourist destinations. China now boasts the world's largest economy by purchasing power parity (PPP) and its growth outpaces its only global superior, the United States, meaning that at current rates China will also have the largest economy at market GDP in the next 20 years. In other metrics, like manufacturing output or exports, China leads handsomely in spite of the efforts of the Trump Administration.

It is here, in its immediate north, that Australia is presented with its greatest opportunity.

Australians have been dazzled by the brilliance of China's economic miracle. So much so that Asia often means China in Australia: "Asia experience" connotes a one-year stint in the Shanghai office of a multinational or if you are yet to delete your dormant Wechat account from your iPhone. This is a mistake. For although no country rivals China's in growth and endurance, the post-war revival of Japan, the economic miracle of the Asian Tigers, and the unshackling of the Indian License Raj are all critical plot lines in the tale of Asia's rise. As is, perhaps more visibly for Australians, the emergence of ASEAN. It is here, in its immediate north, that Australia is presented with its greatest opportunity.

Knowing nasi goreng

In 1970 most ASEAN member states had barely emerged from the agrarian shadow cast by colonialism, and together their economies made up just $37.6 billion in GDP. Australians returning on the hippy trail from London could still lie untroubled on the quiet sands of Kuta recuperating from their excesses. Today, the United Kingdom's economy is equivalent in size to a combined total of the ASEAN members or US$2.6 trillion. Australian tourists flock in the millions to resorts in Indonesia, Vietnam, Thailand, and the Philippines, staying in five star hotels or villas booked on AirBNB.

But it is one thing to know nasi goreng and quite another to have meaningful engagement. Successive Australian governments have understood this, and they have tried commendably to push greater integration with the region, through studies and scholarships and expansive foreign aid programs. Maybe all of this has been to compensate for the reluctance of the private sector. It is as if by teaching Australian students Korean we might miraculously engender a meaningful trade relationship. The reality is that in spite of all the efforts at getting to know Asia, Australians remain largely ignorant of how to trade with it.

On the sheep's back

When I interviewed a senior Australian businessman for this piece, he told me I was wrong to hold this view and that in fact Australia was investing at a rate and scale appropriate for its size. Australian banks, resources companies and family offices were all active across the region. They were investing a wide range of assets, including technology, in China, in South-East Asia, in India. Australia's problem was not investment, it was narrative: a parochial strand of Australians was acting as a handbrake on the nation's economic integration with the region.

His argument deserves careful consideration. After all, Australia's largest export partners are all in the region with East Asia taking a combined 60 per cent of Australia's exports. China alone accounts for 30 per cent of our outbound trade, while ASEAN

receives a further 11.6 per cent. It is not just the amount of goods that Australia sends north, but the solid, tangible nature of our exports that makes our trade relationship with Asia feel sturdy. We send coal and gold and even vegetables. But the gist remains the same: resources and primary products to feed the growth of the developing north.

This is good news for Australia because the general trend of history has been that as people get richer they build bigger houses and eat more meat. That translates to ongoing demand for Australian exports. Projections from the Asia Development Bank suggest that the continuation of Asia's current growth rates across the next 30 years would result in a sixfold increase in purchasing power and three billion additional affluent Asian people by 2050. Other forecasts offer a similarly comforting view for Australia's chief exporters. China, for example, is projected to account for 43 per cent of growth in demand for agricultural products all the way until 2050. All in all, it amounts to a lot of beef, dairy and iron ore.

Australians, then, have reasonable cause to expect ongoing demand for our primary goods, even in the face of a few very plausible hiccups along the way. The ensuing US-China trade war, disputes over the South China Sea, worsening climate conditions, the fabled 'middle income trap,' and even the prospect of changes to construction materials and consumer tastes – residents of Asia may turn out to prefer almond milk lattes – all spring to mind. But even the ructions of recent history have not substantially impeded the advance of global growth.

1-hour "Guaranteed Delivery" in Jakarta

Australia has enjoyed a comfortable ride on the sheep's back and with any luck this contented pastoral journey will continue. But this is hardly a national strategy. To maintain its position amongst the world's most affluent nations, Australia must create and scale globally-competitive technology companies and use its privileged position in Asia to deploy and export these technology products to the region. Achieving this outcome will require a collective acknowledgment about the scale of commercial upheaval that is being rendered by the technology industry, a readjustment of mindset about the opportunities for technology companies in the region, and the successful cultivation of a powerful, home-grown technology industry.

The Australian business community needs first to comprehend the scale of change that technology is having in Asia. Indonesia provides a stark example, where until recently tens of millions of consumers languished within a traditional, informal economy. As recently as 2011, the Indonesian technology scene amounted to little more than a grab-bag of online forums and classifieds. Today it is serviced by some of the most well-funded ecommerce businesses on the globe. In the three years since 2015, more than $2.5 billion has poured into Indonesian tech companies – and online shoppers in Jakarta, already enjoy a one hour delivery guarantee on leading sites (against a laggardly three hour promise in Sydney).

To maintain its position amongst the world's most affluent nations, Australia must create and scale globally-competitive technology companies and use its privileged position in Asia to deploy and export these technology products to the region.

The effect of these investments is not simply to put Indonesia on an equivalent footing with its richer neighbours. Guided by the strategy and experience of Chinese companies, leading ecommerce and ride-hailing companies are providing unprecedented access to goods and services into the far reaches of the archipelago and disrupting incumbents in financial services, transport and retail.

Take South-East Asian ride-hailing company Grab, which last year acquired Kudo, an Indonesian business that provides 1.4m traditional sellers with a software platform to manage their sales of goods and services. The acquisition constitutes part of a two-pronged strategy to digitise and capture once informal sales via the Kudo network, while providing a digital wallet for consumers via Grab's app which then allows consumers to buy not just their daily transport but an extended range of digital goods and services. If Grab is able to stimulate its customers to deposit into a digital wallet in order for them to buy a range of goods and services, it is in effect threatening the core deposit-taking banking system and all downstream retailers that provide similar goods to those offered in the Grab ecosystem.

Money talks

Grab is not alone in pursuing this strategy or some version of it. Other ride-hailing competitors like GoJek and the portfolio of companies that have received investment from Alibaba and its payment arm, Ant Financial, are all attempting to enclose consumers in a comprehensive, seamless ecosystem

of goods and services that threatens to radically upset existing businesses within these industries. And they are doing it everywhere. With Alibaba, Ant Financial, Grab, Lazada, JD.com a slew of recently-born Asian tech companies are rapidly reaching into the far corners of the continent to capture billions of consumers that until recently were mostly just considered as a prospective opportunity for global commerce.

There is little evidence to suggest Australian business has recognised the opportunity presented by these genuinely disruptive companies, unlike Chinese tech companies which are clearly forecasting that the experiences of China's internet boom in the decade from 2007 will be repeated across India and South-East Asia. Nor is it just the Chinese. A swag of savvy investors from Japan, Korea, Singapore and even some Americans have drawn the same conclusion. Collectively, they are pouring billions into South-East Asia's technology boom. They do not have an Australian peer. "Somehow I've never heard of a big Australian spending money in South-East Asia," Kudo co-founder Agung Nugroho told the Australian Financial Review when he was visiting Sydney recently.

At least Australians can seek solace – and example – in the achievements of our technology ecosystem's leading light, Atlassian. The company's core product, Jira, a software development tool, is used by engineering teams across the region: a high-value, high-skill product that is created in Australia and is providing a core functionality to Asia's tech boom. Atlassian's success provides ample evidence that Australia can build and scale globally-competitive technology companies and it should be the collective focus of federal and state governments to create the conditions that will enable more of such companies to develop.

There is an opportunity to be part of a momentous period of disruption and to benefit from it we must abandon the tepid response it has so far been accorded.

Australia is well positioned to enjoy the Asian Century and we will likely still enjoy some of its benefits even if we continue to sell our iron ore and periodically take a punt on something bigger. But there is an opportunity to be part of a momentous period of disruption and to benefit from it we must abandon the tepid response it has so far been accorded. Australian capital must be mobilised into the deals that competitor nations' financiers are finding appealing. We must agree on a shared national vision to make Australia the jumping-off point for Western companies into Asia while at the same time promoting the ASX as an easy, compelling exchange on which Asian tech companies can list. After all, as Agung remarked, "Australia has a good story to tell. It is only a direct flight away and Atlassian is based here. Singapore doesn't have a billion-dollar tech business."

Bede Moore *is the chief executive of TechSydney and was co-founder of Lazada Indonesia.*

HELEN BROWN

Bridging a looming digital divide with Indonesia

Indonesia is quickly becoming the most digitally connected nation in South East Asia. Will Australia's tech entrepreneurs be a part of this remarkable transformation?

On a recent trip to Jakarta I was shown by a friend an app on his smartphone which allowed someone to invest in the sale price of a goat or sheep by paying the farmer for its care for three months. Another showed me one of his ventures which was providing credit to people with no banking history by analysing their browsing and shopping habits. Then I paid for my coffee one morning and the woman next to me asked if the shop took credits from a private payments app.

I have not had any such similar conversations with any entrepreneurial 30-something-year-olds in Australia. The market opportunity and ideas about what the digital economy can deliver is very different for the two countries. And in a way that difference encapsulates the challenge for them to connect when it comes to using digital systems and creating some amazing partnerships.

While Australia is the more developed in terms of digital knowledge, Indonesia is one of the economies that is pushing ideas of disruption and technical leaps. If Australia does not understand what is happening then it risks missing out on using its home-grown smarts in a much bigger way.

Most Australians will be unaware that Indonesia, just to the north, has created four unicorn start-ups (private companies valued at more than US$1 billion) in the last decade.

The potential for innovation and scale in Indonesia has seen global players such as Alibaba, Tencent, Google and Softbank (from China, US and Japan respectively) investing significantly in those four unicorns. In a nation of 260 million with 80 million smartphone users, these tech giants are coming in now to grab market share while it is still in the formative stages. They are bringing new ideas, technology and ambition – the race is very much on.

And Indonesia is doing this without even so much as a backward glance at a country like Australia. It is an ecosystem all of its own dynamic design, working in a regulatory environment which is also in motion.

Global tech giants are grabbing a share of this market while they can

To give you some idea of the interest being taken in Indonesia, a report found that in 2017 overall investment in Indonesia's start-up scene reached three billion dollars in the first eight months of that year alone.

What makes this trend all the more interesting is that it is being driven by tech-savvy, educated young Indonesians who see a chance to make an income, and a difference, in a country where being digitally connected is the way of life.

Indonesia is one of the economies that is pushing ideas of disruption and technical leaps. If Australia does not understand what is happening then it risks missing out on using its home-grown smarts in a much bigger way.

A 2016 report by consulting group McKinsey found that these connected Indonesians "are netizens in every sense of the word."

The best known of the four unicorns is Go-Jek, which has turned from a motorbike ride-hailing app into a national logistics and payment system worth an estimated of $5 billion. It is now moving into other South East Asian markets. Several years ago, I interviewed founder Nadiem Makerim for a story on Indonesia's young entrepreneurs. Now 34, he is a national superstar. And the multi-billion-dollar business he helped create, based on the practice of jumping on the back of a small motorbike to get through Jakarta's notorious traffic, would not be possible in Australia for obvious regulatory reasons. But the way it has evolved and built to scale is a business lesson in itself.

These kinds of businesses and thousands of others are powering ahead with their ideas, and in the process are changing the way people transact and interact. They are at the forefront of the global change taking place, raising questions about the nature of labour and industry, of cost cutting and efficiencies, and of the kinds of interaction between traders and consumers. And they are building the systems and technologies to do it, which means that eventually it may be possible that what is happening in a country such as Indonesia could lead to a business that competes in the Australian market.

This is a very different Indonesia than the general view of most Australians. For most, Indonesia is about the acts of terrorism, extreme Islam and natural disasters which grab the headlines and imaginations.

If these simplistic understandings continue it will likely mean that Australia's talent will miss out on a chance to learn about creating a business in this kind of digital environment, and how they can use their knowledge to be a part of the progress.

The chief operating officer of one of the Indonesian unicorns has already seen the opportunity and tapped into one of Australia's strengths. Willix Halim, from Bukalapak, made a visit to Melbourne not long ago to recruit graduate talent for the e-commerce site that serves small merchants and farmers. Having studied, lived and worked in Australia, he knew what he was looking for: "In terms of skill sets the Australian ecosystem is obviously more mature and we do want to get the top management and product management in technology areas."

However, he made the point that while the individual technical skills are there, the business DNA to compete in such a fast-moving market was generally lacking.

"I think that comes down to mindset. We came up with new features in a matter of months, sometimes in a matter of weeks. And that is required in such a competitive business, especially in a competitive industry like e-commerce. Being the first to it is very powerful, and also being at the right time. So, if

you lose that wave which is usually within weeks or months, you will lose the whole market," Halim says.

The Australian infrastructure and technical knowledge are well advanced and there are some notable examples of innovation – Atlassian is one of the stand-outs with around 85,000 subscription customers, and millions of users. It has secured prestige clients from around the world.

But Bukulapak has 37 million monthly active users and is processing 320,000 orders a day. And it is building an R&D centre in the city of Bandung with the aim of attracting 200 engineers to create more products.

However, there are some significant challenges to the evolution of Indonesia's digital economy. Despite Bukulapak's plans in Bandung, Indonesia is facing a shortage of experienced engineers, with competition for the talent leaving other start-ups in the lurch as they can't offer the higher salaries.

The digital commerce sector is being held back by a shortage of engineers

Go-Jek's Makerim has called on the government to open the visa system to allow trained foreign engineers in. "Although Indonesia has great creative, problem-solving, design-oriented engineers and mobile developers, they are not enough, and they don't have enough experience," he says.

There are also capital shortages for those companies not in the top tier.

Nevertheless President Joko Widodo has staked the nation's future on the adoption of digital technologies, to improve productivity and generate skilled employment.

His "Making Indonesia 4.0" plan aims to improve manufacturing capability and competitiveness by adopting digital technology, and in the process create 10 million new jobs by 2030. The size of the idea is indicative of the hurdles the country faces – while e-commerce and fintech are generating much excitement, there is still a long way to go to develop a more efficient manufacturing sector. But business and local governments are looking.

In November 2016 the president also announced the "1000 start-ups movement" to find and build new high-tech start-ups by 2020, with the hope that these will help drive the nation's progress by creating jobs, boosting productivity and perhaps even becoming internationalised.

As in many parts of regional Australia, there is also a sizeable footprint in Indonesia where people lack access to the infrastructure needed to be "connected" and take advantage of the digital change. The 2016 McKinsey report found that while the internet itself is inexpensive the average quality is poor, and internet penetration in Indonesia was at 34 per cent (compared with 88 per cent in Australia).

Fostering bilateral digital connections is on the Australian government's agenda with Austrade identifying the digital economy as one of the strongest potential drivers of growth in engagement between Australian business and Indonesia over the next 10 years.

Like Australia, Indonesia has to find a way to deliver stronger connectivity solutions to the more remote and rural areas, to help small business people, farmers and agribusiness improve productivity and connect more usefully to markets. Working on these common problems could yield some fabulous solutions.

A multitude of start-ups, innovation labs, venture capital events, and co-working spaces abound in the parts of Indonesia that are connected to digital infrastructure. The question is how to connect these budding entrepreneurs, mixing the skills of technical and business systems experience with the knowledge of a dynamic market to create some groundbreaking digital products.

It won't work to transplant an Australian solution into the Indonesian environment. And this is where a much better understanding of the needs of a nascent, fast-moving market are critical. Some Australians are in, getting a feel for Indonesia and developing the networks and trust that are needed to carve out a space. And venture capital is also starting to take a look at what investments could prove up.

But one Indonesian venture capitalist has often lamented that he has Japanese, Koreans and many other nationalities working in his office to learn about the tech scene, but no Australians. But fostering bilateral digital connections is on the Australian government's agenda with Austrade identifying the digital economy as one of the strongest potential drivers of growth in engagement between Australian business and Indonesia over the next 10 years.

Meanwhile some influential Indonesians are looking to Australia for technology ideas and applications. On a recent visit to Melbourne, former Bandung

mayor turned West Java provincial governor Ridwan Kamil, talked to agtech start-ups to see how they might help his 40 million constituents.

Australia's regional ecommerce experience could be transferable

Ridwan has already gained international attention for his smart cities vision and he now intends to take that further in his bigger role across West Java. He is especially looking for agricultural technology that could be adapted to help tens-of-millions of farmers to provide food more sustainably and be better connected to markets. He regularly posts his ideas, as doodles, to his 9.3 million Instagram followers.

This is the kind of big vision that an Australian business could be a part of, if they have the foresight to step in and learn first-hand about what is going on to find ways for entrepreneurs to work together to create technology companies.

In the area of financial technology, there have been some moves. In 2017 Austrade and Fintech Australia signed what was described as a "landmark" memorandum of understanding with the Indonesian Fintech Association to exchange talent and information while helping each other's sector to grow.

Our two markets are very different, and that actually represents a huge opportunity for innovation if we can work together more closely to help companies understand the contours of each other's markets.

Fintech Australia's then chief executive Danielle Szetho, who visited Jakarta for a tech forum after the MOU said: "Australia and Indonesia have vibrant, complementary fintech ecosystems, but we are only just starting to build the connections between them."

"Our two markets are very different, and that actually represents a huge opportunity for innovation if we can work together more closely to help companies understand the contours of each other's markets."

However, it really is up to Australian digital entrepreneurs to pay attention to what is happening to the immediate north in South East by shifting their focus from what's happening in the old favoured economies such as the US and UK.

This will mean learning about concepts such as the "unbanked" where 80 million people and small businesses in Indonesia will require secure means to facilitate their financial inclusion in the near future.

Indonesia has become the case study for what happens in a nation of millions of smartphone users, with evolving government regulations and a young demography that is the most digitally connected in South East Asia.

It is happening right on Australia's doorstep. The challenge is for the Australian tech sector to have the courage to step in, have a look around and engage with the Indonesian development, to determine if what it is working on could be a part of something much, much bigger.

Helen Brown *is the digital fellow at the Australia Indonesia Centre.*

AIM SINPENG

The leapfrog generation: Australia's cyber diplomacy dilemma

How Australia chooses to engage with the region on social media regulation will test the limits of its global commitment to promoting a free and secure cyberspace.

The recent sentencing of an Australian filmmaker, James Ricketson, to six years in a Cambodian jail for using a drone to document political rallies is a reminder of the challenges that lie ahead for Australia's cyber engagement with South-East Asia. How Australia deals with the region's rising cyber illiberalism will be a real test of the viability of its cyber security strategy. The dual commitment to both 'freedom' and 'security' when it comes to cyber relations with its South-East Asian counterparts will likely result in one being prioritised over the other.

Liberating technologies in illiberal states

South-East Asia is becoming notorious for jailing people for what they do online. Thai man Phongsak Sriboonpeng was given a 60-year prison sentence in 2015 for six Facebook posts deemed to have violated his country's draconian lèse majesté law, which prohibits anyone from defaming the royal family. This case was soon followed by the arrest of eight more internet users for their Facebook posts that were reportedly mocking the Thai Prime Minister, General Prayuth Chan-ocha, who came to power in 2014 via a military coup. A Malaysian teenager was jailed for 19 months for mocking the royal family. Cambodian man Um Sam An was sentenced to more than two years in prison for some anti-government comments on Facebook. Ngar Min Swe, a long-time journalist, is serving a seven year sentence for defaming the Nobel Peace Prize winner and Myanmar de factor leader, Aung San Suu Kyi. The Vietnamese authorities gave a 20-year prison sentence to an environmental campaigner for his posts on Facebook which they believed indicated his intend to "overthrow the government." The long list of social media persecutions in the region continues – most of which critics claim are politically motivated to silent dissent.

Meanwhile, online hate speech rages on – thriving on a rapid rise of social media connectivity on the one hand and weak protection of civil liberties on the other. Even Facebook chief executive Mark Zuckerberg recently admitted that his company plays a role in inciting hate speech and fuelling violence against the already 700,000 Rohingya minorities fleeing persecution from Myanmar.[1] Social media, particularly Facebook, has also emerged as the main platform for news to millions in Myanmar and has empowered radical religious groups, such as the ultra-Buddhist nationalist Ma Ba Tha group, to incite violence against the Rohingyas. Even Myanmar government spokesperson, Zaw Htay shared on his Facebook wall unverified claims that the Rohingyas burned their own villages and blamed it on the security forces.[2]

Government measures to penalise online speech and activities, particularly on social media in South-East Asia corresponds to a trend of growing internet crackdown worldwide. The Net Freedom Report 2017, which ranks the degree of cyber openness around the world, records the seventh consecutive year of decline in internet freedom.[3] More than two-thirds of the world's population live in countries where criticism of governments gets censored. As the internet and new media come to dominate the flow of news and information around the world, governments have hit back with measures to control, regulate and censor the content of blogs, websites and text messages. The future of global internet freedom looks bleak despite the growth of net users. South-East Asia is likely to be no exception. Governments, poor and rich, have grown increasingly savvy with cyber control, employing more and more sophisticated tools to censor the internet in the name of 'national security'. Private companies respond with more innovation on cyber security as opposed to developing new ways to promote cyber networking and surveillance circumvention tools.

The future of global internet freedom looks bleak despite the growth of net users. South-East Asia is likely to be no exception.

Combatting fake news or squashing dissent

The global concern over 'fake news' has provided a political opportunity for governments to invent new legislative measures to combat online falsehoods. Malaysia has been leading the way in this regard with its Anti Fake News Act of 2018, which defines fake news as "any news, information, data and reports, which is or are wholly or partly false, whether in the form of features, visuals or audio recordings or in any other form capable of suggesting words or ideas."[4] Salah Salem Saleh Sulaiman was the first to be convicted under this new law with a one year jail sentence and public apology for his YouTube video claiming the Malaysian police took 50 minutes to respond to an emergency involving a shooting in Kuala Lumpur, when in reality it took eight minutes.[5] The law, which entails a fine of up to US$123,000 and 10 years in prison, has been criticised by civil society groups as a ploy to clamp down on free speech and create a chilling effect at a time of already growing self-censorship. Despite early optimism and some

[1] https://www.vox.com/2018/4/6/17204324/zuckerberg-facebook-myanmar-rohingya-hate-speech-open-letter
[2] https://www.washingtonpost.com/world/asia_pacific/fake-news-on-facebook-fans-the-flames-of-hate-against-the-rohingya-in-burma/2017/12/07/2c1fe830-ca1f-11e7-b506-8a10ed11ecf5_story.html?noredirect=on&utm_term=.6181df921661

[3] https://freedomhouse.org/report/freedom-net/freedom-net-2016
[4] http://www.federalgazette.agc.gov.my/outputaktap/20180411_803_BI_WJW010830%20BI.pdf
[5] https://www.theverge.com/2018/4/30/17302954/malaysia-anti-fake-news-act-youtube

verbal commitment from the newly elected coalition government of Pakatan Harapan to do away with this anti-fake news bill, Malaysian Prime Minister Mahathir Mohamad has vaguely declared his new government would re-define not abolish it.[6]

The knock-on effect of legislative intervention in tackling online falsehoods has quickly spread to Singapore, where a parliamentary committee has been set up to consider a similar anti-fake news bill – claiming that social media companies have proven unable to deal with this phenomenon and so a new government legal measure is required. Similarly, in the Philippines, Senator Joel Villanueva tabled a new bill to penalise malicious distribution of false news (Senate Bill No. 1942) despite critics claiming the term fake news was never clarified.[7] The growing politicisation of social media in South-East Asian states suggest things are going to get worse for users before they get better – if they get better. For South-East Asia, changes would mean more connectivity and choices for their highly active digital lives in exchange for more government control, especially when it comes to online speech.

Educating the next million social media users

What should Australia's cyber engagement with South-East Asia look like, given this reality on the ground? How can Australia "champion an open, free and secure internet based on our values of free speech, privacy and the rule of law and advocate against state censorship of the internet" as suggested in the country's first Cyber Security Strategy white paper?[8] This dilemma is not new. Let's face it, the region has never been much of a democratic paragon. Australia is used to engaging with its sometimes unruly and largely undemocratic neighbours. What's new is that in the digital world the physical boundaries that demarcate states largely disappear and things get complicated. For instance, a famous surveillance spyware, FinFisher, used by the Indonesian authorities to monitor West Papuan activities was found to be hosted at a data centre in Sydney.[9] Is Australia then aiding and abetting Indonesian authorities to crack down on dissent? The answer to this question is not a straightforward one.

By seeking to educate the next generation of social media users in South-East Asia Australia can meet its commitment to promoting free and secure cyberspace while also maintaining good relations with its most important neighbours.

Australia should help South-East Asia strengthen digital literacy and build digital resilience. Outright condemnation of domestic cyber conduct by these states is likely to be unhelpful and generate unnecessary bilateral animosity. Instead, a more constructive approach would be to support initiatives that seek to provide greater public education regarding the use of technologies such as social media. Afterall, millions of South-East Asians leap-frogged from having no phone to becoming heavy users of Facebook with nothing in between – no training on how to communicate, evaluate and assess information online. Forget about digital rights because many are not aware of the fact that their right to privacy is being corroded as their governments keep rolling out new laws to limit their activities online. By seeking to educate the next generation of social media users in South-East Asia Australia can meet its commitment to promoting free and secure cyberspace while also maintaining good relations with its most important neighbours.

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[6] https://www.straitstimes.com/asia/se-asia/anti-fake-news-law-to-be-re-defined-not-abolished-mahathir
[7] https://www.senate.gov.ph/lisdata/2624822593!.pdf
[8] https://cybersecuritystrategy.homeaffairs.gov.au/sites/all/themes/cybersecurity/img/PMC-Cyber-Strategy.pdf
[9] http://www.abc.net.au/news/2016-01-26/notorious-spyware-used-to-take-over-computers-found-in-sydney/7114734

SANDRA SENO-ALDAY

Quiet achievers: how women are changing regional business

The economic transformation of South-East Asia is led by extraordinary but practically invisible women entrepreneurs. How can the region's leaders unlock their potential and share their remarkable story?

The rise of China and India in the last 20 years has rightfully attracted much attention from businesses, economists and policymakers, but has drawn attention away from the quiet economic disruption occurring in South-East Asia. This disruption has been led by an extraordinary but practically invisible sector: women entrepreneurs.

People are the most important resources of any economy or business. Among the different types of human capital, the entrepreneur is the only resource that takes risks and marshals other financial, physical, technological, and intangible resources for creative, productive and profitable use. The global economy, however, has not been optimising its human capital. In 2015, the average labour force participation rate across all countries in the world – which includes all people engaged in productive economic activity as employees or employers – was only around 60 percent. However, South-East Asia exhibited the highest labour force participation rate among all regions at 68 per cent (Figure 1).

When the labour force participation rate is broken down by gender, the figures show that the global average participation rate of men was around 70 per cent in 2015, while the global average participation rate of women was much lower at 50 per cent. This clearly shows that women are severely underutilised as an economic resource. South-East Asia exhibited the third highest women's labour force participation rate at 57 per cent, which is not far behind the rest of Central and East Asia's 58 per cent.

The business or economy best positioned to grow and develop is one that optimises its labour resources and particularly its entrepreneurial talent. This is where South-East Asia shows the most remarkable leadership, exhibiting the highest proportion of both female and male entrepreneurs in the world in 2015. The significant role of entrepreneurship in the region is validated by the fact that all the national economies are predominantly driven by micro, small and medium enterprises (MSMEs): the engine of South-East Asian economic growth. However, national governments have only recently begun systematically gathering statistics on women entrepreneurs; therefore, the importance of their economic contributions and indeed their sheer economic potential are just beginning to come to light.

While the role of male entrepreneurs in the region must certainly not be underemphasised, it is crucial to highlight the distinctiveness of South-East Asian women entrepreneurs and the unique nature of their influence. This offers insights into the quiet, creative disruption occurring in the region, and allows a glimpse into the socio-economic future of South-East Asia.

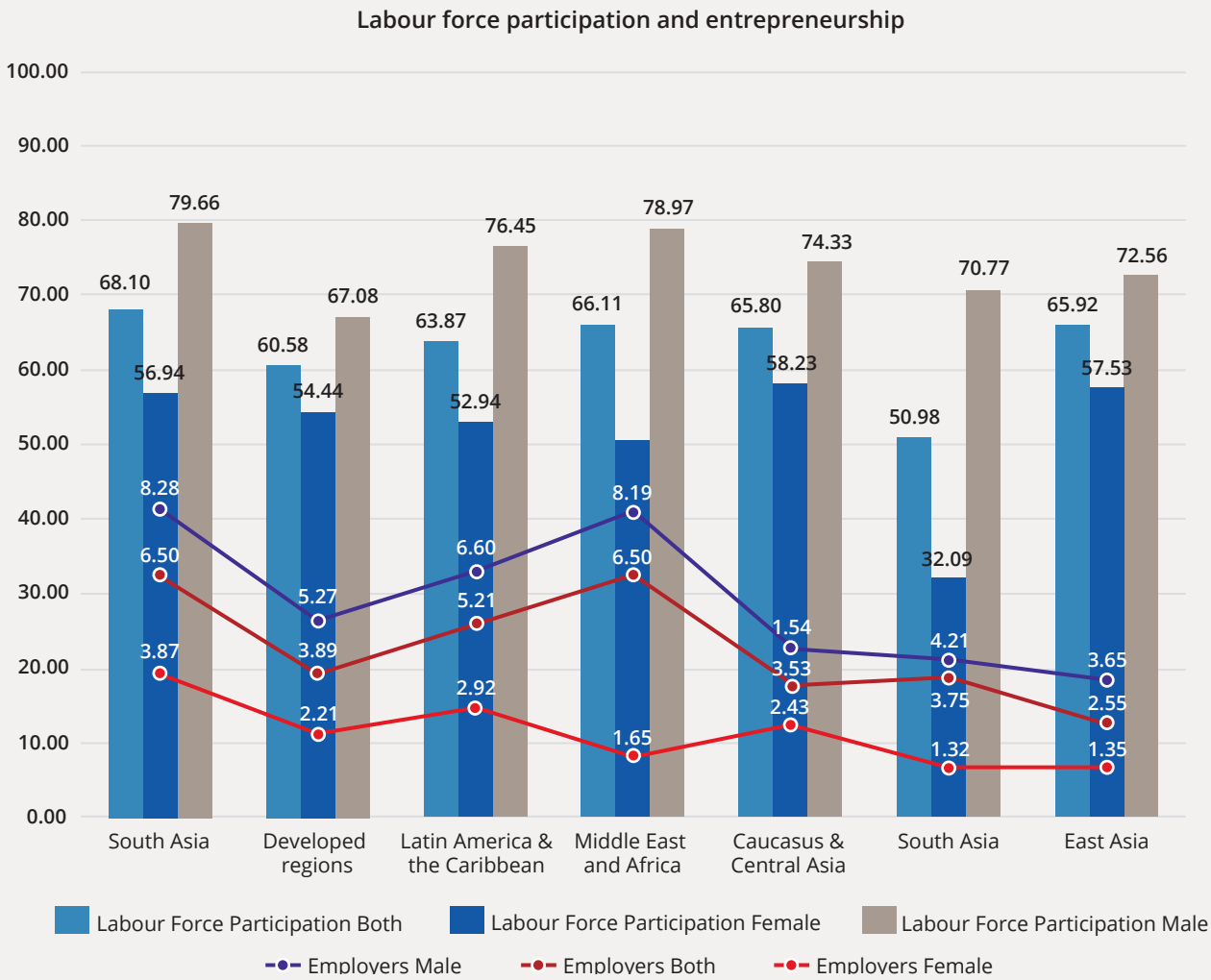

Figure 1: *Labour force participation and entrepreneurship (2015) (UN Genderstats, https://genderstats.un.org/)*

Succeeding against the odds

Perhaps what makes South-East Asian female entrepreneurs most remarkable is the fact that they have grown in numbers despite considerable odds. Data shows that women's entrepreneurial activity in the Philippines, Thailand, Indonesia and Vietnam (averaging at around 17 per cent) is practically double that of India (eight per cent) and China (nine per cent). The high rates of entrepreneurial activity in these South-East Asian countries is surprising, given that women across the region face tremendous challenges in establishing and operating enterprises.

First, South-East Asian women do not necessarily possess the adequate time, energy and focus that entrepreneurship requires. Women continue to be primary carers of children, the elderly, and even siblings and extended family. These responsibilities require a substantial amount of time and offer little flexibility particularly among women with school age children.

Furthermore, these deeply rooted and widely held gender role expectations have created a social environment with poor childcare and aged care infrastructure. The establishment of out-of-home care facilities is not considered a priority government service or a viable business option precisely because women are expected to assume this role at home.

Data shows that women's entrepreneurial activity in the Philippines, Thailand, Indonesia and Vietnam is practically double that of India and China.

The expectation to care for the family along with poor infrastructure outside the home make it extremely difficult for women to pursue conventional career options. Furthermore, flexible work arrangements are simply not the norm among South-East Asian organisations, and high performing employees continue to be associated with physical presence in the workplace. Finally, the technological infrastructure in the region (e.g. internet connectivity) is typically not viewed by businesses to have the level of quality and robustness required to support a remote workforce. The confluence of these factors has the effect of slowing down women's careers, or indeed locking them out completely from traditional workplaces.

The same environment that limits traditional employment options for women likewise limits the capacity of women to conceptualise, establish and manage innovative enterprises. Consequently, women-owned enterprises are fewer in number and are less innovative compared to enterprises led by men. Despite being significantly time-poor, women turn to entrepreneurship out of necessity (by contrast, male entrepreneurs tend to be motivated more by opportunity). Women entrepreneurs augment family income by managing their businesses part time, while also attending to the bulk of family responsibilities. Notwithstanding the limitations in time and focus, women engage in entrepreneurial activity out of the sense of responsibility to care and provide for their families.

Second, entrepreneurial financing is difficult to secure. While access to financing tends to be limited for all entrepreneurs in the region regardless of gender, the issue is more marked in the case of women entrepreneurs. Banking products in the region tend to have conventional requirements for business loans, which include evidence of collateral and a track record of business profitability. This is reasonable for larger enterprises, but not very realistic for entrepreneurial ventures, particularly women-owned enterprises which are generally smaller with shorter track records. Women's enterprises also tend to have more modest levels of financial performance, which means that they face much greater difficulties in accessing traditional bank financing products.

The banking sector in the region does not offer financing products specifically tailored to the context and needs of women-owned enterprises. There are, however, notable exceptions in Indonesia and the Philippines, where some commercial banks offer business loans targeted at women's enterprises. These products have more streamlined application procedures and requirements, flexible collateral options, and customisable repayment schedules.

Additionally, the South-East Asian financial sector is smaller and much less developed compared to large Western investment and venture capital markets. Anecdotal evidence indicates that while some foreign venture capitalists have made investments in the region, investors eventually exit the market due to the inability of enterprises to scale up according to expectations. Unfortunately, these enterprise performance expectations are benchmarked mainly on investor experience in developed country contexts and are generally not adjusted to account for the emerging market conditions of South-East Asia. Locked out of traditional banking products and faced with very limited capital options, women entrepreneurs in the region thus tend to rely on informal sources of financing, including family,

friends, colleagues, and angel investors (who also tend to be women).

Third, there is very little infrastructure designed to scaffold the growth of women's enterprises. While governments generally have programs in place to support micro enterprises and start-ups, there is less focus on helping existing women entrepreneurs sustainably scale up their businesses to small, medium and indeed large enterprise status. Consequently, studies have shown that women's enterprises in South-East Asia are less likely to grow or engage in exporting and other international business activities. Notable exceptions are Indonesian women entrepreneurs, who are almost three times more likely to export compared to men. The lack of infrastructure to develop and upskill women entrepreneurs is further evidenced by the widespread lack of confidence among women in their own entrepreneurial abilities.

Creative disruption produces a new business model

Despite these overwhelming odds, women across the region continue to perceive opportunities for entrepreneurship and are generally undeterred by fear of entrepreneurial failure. While remaining few in number compared to men, the number of women who intend to pursue new or existing entrepreneurial ventures across South-East Asia is expected to grow. This means that the contribution of women entrepreneurs to regional development can only be forecasted to increase over time.

A clear contribution is in employment and job creation. Entrepreneurs constitute the bulk of economic activity in the region and are responsible for generating up to 60 per cent of jobs across industries in their respective countries. Women entrepreneurs have particularly exhibited a dominance in the South-East Asian wholesale and retail industries. In Vietnam, there are more women entrepreneurs in agriculture and mining, and in Malaysia and Indonesia, there are more women operating manufacturing and transport enterprises. In the Philippines, women-owned enterprises dominate the financial, professional and consumer services sectors.

However, perhaps the most notable characteristic of women entrepreneurs is that they tend to not only pursue economic gain but also strive to make a positive social impact through their enterprises. This has been validated by scholarly research and helps explain why women-owned enterprises dominate the health, education, and social services sectors in Thailand, Vietnam and Indonesia. Indeed, women's entrepreneurial activity focused on providing these services in Indonesia is double that of male entrepreneurs.

The most notable characteristic of women entrepreneurs is that they tend to not only pursue economic gain but also strive to make a positive social impact through their enterprises.

The concern for both positive economic and social impact lies at the heart of the quiet, creative disruption led by the increasing number of women entrepreneurs in South-East Asia. Case-based evidence from ongoing research in the region indicates that women entrepreneurs tend to channel economic gains from their enterprises to support their role as carers. Women establish enterprises primarily for the benefit of the family. Income is directly used to provide better education for their children and to create personal and professional development opportunities for family members.

Further case-based evidence shows that women entrepreneurs have a strong orientation towards creating novel business models designed to maximise business benefits across partner networks (for example, integrating farmers into the supply chain to increase farmers' profit margins while ensuring reliable supply of raw materials). Women entrepreneurs tend to employ other women and actively work with families and communities to ensure that women are not excluded from the workplace. This has important implications on increasing the overall participation rate of women in the labour force.

Finally, evidence shows that economic gain does not necessarily take precedence over social impact, with women entrepreneurs constantly striving to achieve both objectives in equal measure. Remarkably, women entrepreneurs express fulfillment and satisfaction despite lower-than-expected enterprise economic performance if they perceive that their businesses have made a positive impact on their family and the community.

The way forward

The high participation rate and key socio-economic contributions of South-East Asian women entrepreneurs (all in the face of overwhelming odds) is slowly coming to light as governments and international agencies begin to systematically gather gender-disaggregated statistics on entrepreneurial ventures. It is becoming increasingly clear that women entrepreneurs have been a powerful invisible force at the forefront of creative social and economic disruption in the region.

Yet, there is much that remains to be done to collect the most basic data on women entrepreneurs, including a precise count of women-led enterprises, the industries in which they operate, their social and economic contributions, growth/exit rates, and their entrepreneurial needs. It is only with more robust data that women entrepreneurs can truly be made visible to policymakers tasked with allocating resources to support them.

It is becoming increasingly clear that women entrepreneurs have been a powerful invisible force at the forefront of creative social and economic disruption in the region.

Recent studies on women entrepreneurs (albeit conducted in developed country contexts) indicate that women are differently motivated and thus tend to approach business activity differently compared to men. The bottom line is that the roles that women play in their families and communities create life experiences that help determine their unique personal, career and business outlooks. While studies have highlighted the uniqueness of the woman entrepreneur's ecosystem, there continues to be a large gap in understanding the nature of this complex, multi-stakeholder network and its role in shaping women's entrepreneurial activity in South-East Asian countries.

A more insightful understanding of the woman entrepreneur is required by policymakers and other key stakeholders (e.g. providers of entrepreneurial finance, education and others) to design custom support systems for women-led enterprises. It is critical to put these systems in place to encourage the increased participation of women entrepreneurs and to help them sustainably grow their enterprises. While South-East Asian women lead the way in entrepreneurship, their participation continues to be less than half the entrepreneurial participation rate of men: this represents a major opportunity to channel women's entrepreneurial talent for the unique social and economic benefit of the region's future.

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KELLY GERARD

Redefining women's empowerment in South-East Asia

Empowering women is a long-term agenda of the region's social transformation. Are the current policy approaches working?

The launch of the ASEAN Economic Community in December 2015 was heralded as a momentous occasion for the grouping. However, it is anticipated this push for regional economic integration will have a detrimental impact for women across South-East Asia. This was the key finding of a study published by the ASEAN Secretariat that charted the projected gender impacts of the ASEAN Economic Community, with the reason for this disparity being that women are not located in those sectors that are positioned to grow.[1]

[1] Shreyasi Jha and Abhashri Saxena (2016) Projected Gender Impact of the ASEAN Economic Community, UN Women, AusAID, ASEAN Secretariat, Friedrich-Ebert Stiftung.

The ASEAN Economic Community will thus exacerbate already substantial gender inequalities. The Gender Inequality Index (GII) produced by the United Nations Development Program is one of few measures available that record data for almost all ten ASEAN countries.[2] It is a composite measure of inequality in achievement between women and men across three dimensions: reproductive health, empowerment, and economic status. The GII clearly highlights the pervasiveness of gender inequalities across South-East Asia: the majority of ASEAN countries cluster in the mid to lower-end of the rankings, with Cambodia ranked lowest at 112 of 159 countries.

While highlighting some of the starker gaps between women and men across the region, the GII doesn't include other inequalities that are harder to consistently measure across countries. One is the gender segmentation of labour markets. Across South-East Asia, women are far more likely than men to be in vulnerable employment, and to be contributing unpaid labour through domestic work.[3] Also absent from this index is gender-based violence: over 40% of women in South-East Asia have experienced gender-based violence.[4]

In response to the persistent and pervasive gaps between women and men alongside the projected negative impacts of the ASEAN Economic Community, a variety of actors have rallied around the agenda of empowering women. ASEAN, donors, NGOs, and companies across South-East Asia are now backing this goal through a range of projects.

Many empowerment programs now focus on creating entrepreneurs

One example is the public-private partnership, the Japan ASEAN Women's Empowerment Fund. This was established in 2016 by Japanese aid agencies and Blue Orchard, a commercial microfinance intermediary, to invest US$120 million in female micro-entrepreneurs. Similarly, the Women's Livelihood Bond was developed by Singapore-based company, Impact Investment Exchange, and is guaranteed by USAID and DFAT. This four-year bond offers a coupon rate of 5.65 per cent, and was listed on the Singapore Stock Exchange in August 2017. It is advertised as impacting the lives of over 385,000 women across South-East Asia through microfinance programs in Cambodia, Vietnam and the Philippines.

These recent programs are indicative of the broader trend in the development sector to focus on women's economic empowerment, and within this sphere, on entrepreneurial and market-oriented activities. This is clear in Pereznieto and Taylor's review of 254 women's economic empowerment project evaluations.[5] They found that of eight thematic areas, projects focused on five: financial services, business development services, skills training, social protection, and access to markets. Moreover, just under half of all evaluations (46 per cent) focused on projects related to financial services, predominantly micro-credit and self-help groups. Projects focused significantly less on legal and regulatory frameworks (two out of 254), unions and fair employment (six out of 254), and asset provision, both financial and non-financial (four out of 254).

Across South-East Asia, women are far more likely than men to be in vulnerable employment, and to be contributing unpaid labour through domestic work.

This focus on entrepreneurial and market-oriented approaches to women's empowerment is a far cry from the transformative and collective foundations of this agenda as it was laid out in the 1980s. The goal of women's empowerment emerged as the radical agenda of mobilising women to transform structural inequalities. Central in this was DAWN (Development Alternatives for Women in a New Era), a network of Southern activists, researchers and policymakers. DAWN's members advocated for a collective and 'bottom-up' development process, focusing not just on women's economic participation but also on questions of distribution and the institutional changes required to tackle the drivers of gender inequalities.

The thematic areas that Pereznieto and Taylor identify as dominating projects, however, seek to empower women by improving their ability to compete in markets. This trajectory does not bode well for advancing gender equality, for three reasons. First, it reflects the understanding

[2] http://www.hdr.undp.org/en/composite/GII. Data not available for Brunei Darussalam.

[3] Asian Development Bank and International Labour Organization (2011) Women and Labour Markets in Asia: Rebalancing for Gender Equality, Bangkok: ILO.

[4] World Health Organization, London School of Hygiene and Tropical Medicine and South African Medical Research Council (2013) Global and regional estimates of violence against women: Prevalence and health effects of intimate partner violence and non-partner sexual violence, World Health Organization.

[5] Paola Pereznieto and Georgia Taylor (2014) 'A review of approaches and methods to measure economic empowerment of women and girls', Gender & Development 22(2): 233–51.

of markets in neoliberal ideology as neutral spaces, overlooking how markets can exacerbate inequalities and reproduce patterns of exclusion or discrimination. Markets are socially embedded, with their form and function mediated by people's interactions and relationships and our many social identities, shaping how they distribute resources.

Second, through entrepreneurial and market-oriented activities to tackling gender inequalities, dominant project types promote individualising measures to address structural challenges. Less frequent are projects that drive sustained, collective responses to addressing gender inequalities.

Third, there isn't robust evidence justifying the focus on market-oriented approaches to economically empower women. For instance, Results-Based Initiatives was launched in 2007 by the World Bank, UN Women, and the International Centre for Research on Women with the objective of finding out "what works and what doesn't in terms of interventions to increase the economic empowerment of women".[6] Its findings were published in 2014, and it comprised a series of pilots, all entailing different forms of business training interventions.[7] The pilots were designed to be implemented and evaluated in just two years, all included rigorous impact evaluations, and they were designed to be both replicable and scalable. The pilots didn't yield information on how to foster women's economic empowerment, with the majority not significantly increasing women's earnings and having little impact on other dimensions of economic empowerment that were measured.

Seeking to economically empower women only through market-oriented approaches fails to engage with the structural causes of gendered inequalities.

In reflecting on the project's lack of success in conclusively demonstrating 'what works' to economically empower women, the researchers place substantial emphasis on the challenges of project design, specifically the importance of constantly monitoring pilots and aligning resources with expectations. They don't, however, reflect on why it was that the World Bank deemed business training interventions as the only way to economically empower women.

Women could be economically empowered in a range of ways, like building movements to advocate for reforming discriminatory legal practices; supporting unions to campaign for improvements in women's working conditions; supporting childcare provision; or promoting rights-based approaches to development. Seeking to economically empower women only through market-oriented approaches fails to engage with the structural causes of gendered inequalities.

More diverse approaches to empowerment are needed

Results-Based Initiatives is an exemplar of the broader trend for development to be conceived in purely technocratic terms. Development has come to be understood as a process to be achieved through policies that can be objectively known and tested by experts. This approach is reflected in the focus on identifying and testing the 'magic bullets' that can then be rolled out across the globe to generate the desired development results. David Mosse captures this in his critique that the process of defining a development 'problem' and constructing arenas that are calculable and manageable by practitioners marginalises the politics of interventions, so much so that "policy primarily functions to mobilise and maintain political support".[8] Absent from the conceptualisation of development as a purely technocratic endeavor are the politics of interventions, and the struggles associated with contested processes of accumulation and distribution.

Empowering women is, however, a long-term agenda of social transformation. It entails addressing the complex interplay of institutional, cultural, economic and political factors through which women are discriminated. These factors may be explicit, such as divorce laws that are gender-biased. They may also be implicit, where institutions are gender-neutral on paper but gender-biased in practice—such as the Indonesian government subjecting female police recruits to virginity tests to apparently ensure the morality of applicants. Women's empowerment cannot be reduced to

[6] Sara Johansson de Silva, Pierella Paci, and Josefina Posadas (2014) Lessons Learned and Not Yet Learned from a Multicountry Initiative on Women's Economic Empowerment, Washington DC. Emphasis in original.

[7] Four focused on skills training to raise earning capacity in self-employment (cassava producers in Liberia, beadworkers in Kenya, bamboo handicraft producers in the Mekong, and micro-entrepreneurs in Peru). The fifth pilot, implemented in Egypt, focused on human resource training by developing a certification program to recognise good gender equity practices in the private sector.

[8] David Mosse (2005) Cultivating Development: An Ethnography of Aid Policy and Practice, Pluto Press.

a technocratic exercise, because it requires the reconfiguration of arrangements and relationships through which women are discriminated, covering the division of labour in the household to women's underrepresentation in politics to the ubiquity of gender-based violence on TV. This is profoundly political.

Empowering women is, however, a long-term agenda of social transformation. It entails addressing the complex interplay of institutional, cultural, economic and political factors through which women are discriminated.

This process requires a much more substantive role for affected women in determining 'what works' in specific contexts. However, it doesn't mean that the outcomes of programs cannot be objectively measured, nor that there cannot be learning or the cross-fertilisation of ideas across programs. It simply means policymakers acknowledge that they are undertaking a profoundly political task and, consequently, must be open-minded about the specific context in which they are intervening and its challenges, and engage affected women in this process in a way that is genuinely open-ended.

One example of this approach is the Feminist Participatory Action Research (FPAR) program of the Asia Pacific Forum on Women, Law and Development (APWLD). This program has been supported by the Swedish International Development Cooperation Agency amongst others, and focuses on building movements to challenge patriarchy. In practice, it has entailed connecting women across geographies, ethnicities, sectors, and life-stages to drive structural change.

The program operates by APWLD putting out a call for interested organisations, social movements or communities to nominate to participate. APWLD specifies a focus area—such as labour rights, land rights or development justice—and applicants put forward an issue that the community is seeking to change. Rather than fund external practitioners to research the issue and implement a program, APWLD provides funds for the organisation to employ a young woman researcher for up to two years that will carry out a project under the guidance of a mentor. APWLD also provide funds to support the researcher and her mentor to participate in FPAR training workshops and networking opportunities.

MAP Foundation, a Thai NGO that works with Burmese migrant workers in Thailand, used the FPAR program to learn more about how women migrant workers understand a living wage, and their view of the obstacles to attaining it. Similarly, Tanggol Bayi, an organisation for women human rights defenders in the Philippines, engaged women employed in the informal economy as market vendors in collecting data on the gendered impacts of the proposed privatisation of a public market. As a result of the FPAR program, the community mobilised and halted the privatisation. In Vietnam, where women are being adversely impacted by climate change and disasters, participants used the FPAR program to alter communal regulations so that at least 30 per cent of the previously male-only Village Disaster Response Committees are women, and women are also included in decisions to change crops. Participants reported an increased sense of power and respect, arising through their inclusion in policymaking and being active civic decision makers.

Applicants therefore identify an issue they are seeking to address and how they wish to approach it, based on their knowledge of the relevant context. They employ and mentor a young woman to conduct a research and advocacy project, and engage affected women in the process of collecting and analysing data, and building a campaign. By generating their own knowledge that then informs their advocacy, the FPAR approach challenges prevailing norms on who generates knowledge and how it is used. The FPAR approach drives the development of a local feminist movement by supporting women in advocating for the changes they are seeking in their community.

This approach is a far cry from the business training interventions that Results-Based Initiatives advocates to achieving women's economic empowerment. Through its FPAR program, APWLD returns to the roots of the agenda of women's empowerment by taking a participatory and non-hierarchical approach to tackling gender inequalities. Seeking to enable advocacy to drive structural change, APWLD assists women in achieving their objectives, rather than dictating what needs to change and how.

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MELISSA CROUCH

The Rohingya crisis is a joint diplomatic challenge for ASEAN and Australia

The violence in Rakhine State should be addressed with deep engagement rather than isolation.

ASEAN and Australia are facing a long diplomatic challenge – how to adequately respond to the precarious situation in northern Rakhine State where hundreds of thousands of Rohingya have been displaced, or fled to Bangladesh.

Three major factors have converged that make the Rakhine State crisis a particularly difficult affair: mass disenfranchisement; mass violence and displacement; and the alleged threat of terrorism. The region must carefully consider all three factors in order to take an informed and constructive approach to diplomatic relations with Myanmar. This requires the regional community to remain engaged with Myanmar, rather than take the high road of detachment.

The crisis has deep historic roots

The extreme difficulties faced by the Rohingya in Myanmar can be traced back to Ne Win's socialist regime and the subsequent military regime's policy on citizenship. Mass displacement in northern Rakhine State occurred in the 1970s and again in the 1990s. The discriminatory implementation of the Citizenship Law in the 1990s also contributed to the weakening of political inclusion.

In 2012, large scale conflict broke out in northern Rakhine State, and eventually spread to affect many other Muslims across Myanmar. Houses were burned and tens of thousands displaced.

In 2015, we witnessed a dire change in official government policy – the removal of the right to vote, or the right to run for political office, of temporary card holders (known then as 'white cards'). The impact of this policy change was the mass disenfranchisement of white card holders, a population of over one million, most of whom are Rohingya.

Is it really democracy if one million people are disenfranchised and excluded from the political community in the process?

The reason this policy change was so distressing is because white card holders were permitted to vote in the 2010 elections. So there was historical precedent to justify them voting in the 2015 elections. This was overlooked. This is not necessarily to suggest that the right to vote is substantive, but it did symbolise a thread of connection to the state.

Another reason the loss of the right to vote provoked anxiety was because the travesty of mass disenfranchisement was largely ignored amidst the celebrations of the vote in favour of the National League for Democracy (NLD). The international community was captivated by the NLD's success as a triumph of democracy over military rule. Yet is it really democracy if one million people are disenfranchised and excluded from the political community in the process?

One of the few people to publicly disagree with the NLD in the lead up to the 2015 elections was U Ko Ni, a legal advocate who was assassinated one year ago. He was appalled that the NLD caved to the anti-Muslim campaign that was used by its opponents to try and discredit the party and its chances of winning. For U Ko Ni, this was not a free and fair election. Democracy was deeply compromised. We should not have been surprised that worse was to come.

Allegations of terrorism should not detract from addressing the grave humanitarian crisis

One feature that distinguishes the current conflict in northern Rakhine State since 2016 is the alleged claims of terrorism. We need to put this claim in context. Almost every major ethnic group in Myanmar has an army. Armed conflict has been the norm for decades.

Ethnic armed groups have been given a privileged place in the ongoing peace process. The Rohingya have not had an active armed group in recent years until now. Armed organisations in northern Rakhine State have not been invited to negotiate a peace deal with the military. The Rohingya have no seat at the table today in the historic Panglong Peace Process led by Suu Kyi.

Instead, the new Arakan Rohingya Salvation Army (ARSA) has been declared by the government as a terrorist organisation. It is important to note that the declaration itself appears to be plagued with rule of law irregularities. The decision was made on August 26, 2017, and yet in November 2017, local newspapers announced that the government Anti-Terrorism Committee met for the first time.

There are also major deficiencies in the Anti-Terrorism Law itself. For example, the death penalty is attached to some offences under the law. In addition, the Anti-Terrorism Committee benefits from blanket immunity clauses for its members, as well as for the military.

Last year was the first time a group has been declared a terrorist organisation under the new Anti-Terrorism Law. Some of ARSA's tactics are not necessarily different from those used previously by either the military or other armed ethnic groups. The decision to label ARSA a terrorist organisation is one of convenience, while radical Buddhists, the military and the police escape this label.

The biggest movement of people in the recent history of the region

The third major factor is the alarmingly swift and high level of displacement in northern Rakhine State. Prior to August 2017, 120,000 Rohingya lived in internally displaced camps. Since August 2017, over 650,000 people have fled to Bangladesh, constituting the largest displacement of people in the region in recent history. One estimate suggests that at least 6,700 Rohingya died during the military offensive in northern Rakhine State.

Disturbing reports have emerged of a seriously disproportionate response by the military. The military's tactics mirror its past practices against other armed groups: forcing people to flee their villages; burning entire villages; violence; rape; murder; laying landmines to prevent return; and the use of acid so that victims cannot be identified.

Despite the grave humanitarian crisis affecting a large number of women, children and the elderly, these facts receive little sympathy in Myanmar. Even activist cartoonists who were against the previous military regime have instead been publishing cartoons that are pointedly anti-Rohingya.

Like many controversies today, the Rohingya crisis has been exacerbated by online media.

Anti-Rohingya sentiment in fact increased on Burmese social media after the military crackdown.

Local journalists who have been brave enough to try to uncover the causes of the conflict in northern Rakhine State have been targeted by the state. The imprisonment of two local journalists investigating the massacre in Inn Dinn has raised global concerns about media freedom in Myanmar. Access to northern Rakhine State for journalists remains prohibited.

While violence and displacement has occurred in the past, the present crisis is on a scale that has not been seen before in northern Rakhine State. It demands an extraordinary and sustained response.

Myanmar's response requires military support

The state in Myanmar is represented by two people today – Suu Kyi as de facto head of the government, and Senior General Min Aung Hlaing as Commander in Chief of the military. While Suu Kyi leads the majority NLD government, the military has seats in parliament, a substantial presence in government administration, and an indirect influence over the courts. This means the response to the crisis in northern Rakhine State requires cooperation and agreement between these two groups.

In 2016, Suu Kyi did take the initiative of inviting Kofi Annan to chair a committee to investigate the situation in Rakhine State. This initiative was unpopular domestically, with some arguing that this constituted foreign interference. In August 2017, the Annan Report was released. It contains a long list of hard-hitting recommendations across a broad range of sectors: health, education, citizenship, freedom of movement, security and tourism. These recommendations did not receive sufficient attention because attacks by the ARSA occurred around the time the report was released.

While violence and displacement has occurred in the past, the present crisis is on a scale that has not been seen before in northern Rakhine State.

The government needs to be continually reminded of and held to account for these recommendations. However, without the cooperation and goodwill of both Suu Kyi's civilian government and the Commander-in-Chief's military administration, it will struggle to fulfil the recommendations in the Report.

On its own, the NLD-led government cannot fulfil these social, political and economic goals. Suu Kyi and the NLD do need to provide the moral leadership necessary to change dominant public perceptions on this issue.

Suu Kyi is an elected member of parliament and the holder of not one but three positions: Minister for Foreign Affairs, Minister for the President's Office and State Counsellor. She is seen both within and outside the country as the de-facto leader of the government. Combined with her family legacy in Burma's independence, and her status as a former political prisoner, she has credibility and a strong domestic basis on which to lead on this issue.

The NLD should try to bring the Rohingya symbolically within the state. There is past precedent for this. The military-led USDP government entered an alliance with some Rohingya in northern Rakhine State for the 2010 elections. The NLD needs to consider adopting such a strategy for the 2020 elections. This would go some way to bringing the Rohingya back into the political community of Myanmar.

Myanmar is a challenge to ASEAN's diplomacy

Under decades of military rule, Myanmar presented a challenge for ASEAN. Myanmar joined ASEAN in 1997, but did not chair ASEAN until 2014. There are good reasons for Australia and ASEAN to stay closely engaged with Myanmar.

Unlike other countries in the region such as Thailand, Singapore, Indonesia and Malaysia, the state in Myanmar is unable to offer its people even basic levels of education, healthcare or other services. This generation has virtually no experience

of democracy. Its people have been kept in extreme isolation for decades. During these decades of isolation, its people have been fed lies of exclusive ethnic nationalism. Reversing this situation will require sustained outside engagement.

The case of northern Rakhine State presents a confronting crisis of mass conflict and displacement; mass disenfranchisement; and distorted perceptions of terrorism.

Suu Kyi is the main point of engagement for ASEAN and Australia. In her position as State Counsellor, she is leading the civilian government response to the Rakhine State crisis.

In doing so, ASEAN and Australia must engage genuinely, rather than primarily for domestic political gain or to deflect public attention away from unsavory domestic political crises. For example, the Indonesian Foreign Minister did not earn a seat on the latest Rakhine Advisory Body despite being the first to visit Myanmar after the 2017 attacks. Neither did Malaysia secure a representative, in part because the prior government was trying to deflect public attention away from the 1MDB scandal. Instead, the Myanmar government appointed Surakirat Sathirathai, the former Thai Foreign Minister, as the chair of the new Rakhine Advisory Body.

There are a range of obvious points of engagement. ASEAN and Australia must provide long-term humanitarian assistance. There is no quick fix to this crisis. The monsoon season will significantly affect the lives and health of many who are currently displaced. Resettlement, if it happens, will be a slow process and on its own will not guarantee reintegration into society.

The case of northern Rakhine State presents a confronting crisis of mass conflict and displacement; mass disenfranchisement; and distorted perceptions of terrorism. In addition to measures by the international community, these pressing issues need to be addressed by the region through informed diplomacy and deep engagement.

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SAVITRI TAYLOR

Reversing the boats: a humane response to a regional dilemma

What would a humanitarian asylum seeker policy look like?

In January 2018 the United Nations High Commission for Refugees (UNHCR) projected that South-East Asia would host 2,627,957 'people of concern', including 481,069 asylum seekers, refugees and similar people.[1] Given that the same projection also reported that between August 2017 and November 2017 600,000 Rohingyas had crossed the border into Bangladesh fleeing violence in Myanmar, the projection seemed somewhat incongruous.

[1] UNHCR, South East Asia, 2018 Planning summary, 30 January 2018 http://reporting.unhcr.org/node/39?y=2018.

Most refugees in the South-East Asia region originate from Myanmar from conflicts in Kachin and the Shan states, as well as Rakhine State. In June UNHCR estimated that there were 886,778 refugees in Bangladesh with 720,849 of them having arrived from Myanmar since August 2017.[1] At the end of March there were 155,880 asylum seekers and refugees registered with UNHCR in Malaysia, including 135,740 from Myanmar.[2] Thailand has hosted Myanmar refugees for three decades with 97,496 mostly Myanmarese refugees living in nine camps in May.[3] There are also about 6000 asylum seekers and refugees from a range of countries in Thailand's urban areas.[4] Indonesia also hosts 14,000 UNHCR registered refugees from Myanmar and other countries.

Since nationhood, Australia has been obsessed with maintaining absolute immigration and border control.

Indonesia receives a lot of attention from Australia because it is the last country of departure of most asylum seekers and refugees who attempt to travel to Australia by boat. Malaysia also receives considerable attention because many asylum seekers and refugees in Indonesia have travelled there through Malaysia. It is easy to see why asylum seekers and refugees move on from Malaysia. It is a major labour migration receiving country but does not distinguish between asylum seekers and refugees and the four million or so unregulated labour migrants also in the country.[5] Without formal work rights or legal status, asylum seekers and refugees live in constant fear of arrest, detention and refoulement (i.e return to a place of danger). In theory, the situation of asylum seekers and refugees in Indonesia is somewhat better. Although they do not have formal rights to engage in work or study, they have rights to food, shelter and healthcare. Unfortunately, many local government authorities are either unaware of these rights or choose to ignore them.[6]

[1] UNHCR, Bangladesh, Operational Update, 9 May – 4 June 2018, 4 June 2018.
[2] UNHCR, Figures at a Glance in Malaysia, http://www.unhcr.org/en-au/figures-at-a-glance-in-malaysia.html
[3] UNHCR, Refugees in Thailand, https://www.unhcr.or.th/en
[4] Johanna Son, 'For Urban Asylum Seekers, Uncertainty is the Certainty', Bangkok Post, 28 May 2018.
[5] UNHCR, Malaysia, 2018 Planning Summary http://reporting.unhcr.org/sites/default/files/pdfsummaries/GA2018-Malaysia-eng.pdf
[6] Kate Lamb and Ben Doherty, 'On the streets with the desperate refugees who dream of being detained', The Guardian, 15 April 2018 https://www.theguardian.com/world/2018/apr/15/on-the-streets-with-the-desperate-refugees-who-dream-of-being-detained#img-1

Since nationhood, Australia has been obsessed with maintaining absolute immigration and border control. Even in the context of dealing with asylum seekers, this is the primary policy objective. However, not all its policies in relation to asylum seekers are entirely explicable by reference to this primary policy objective. Australia also desires to perceive itself and be perceived by others as a country which upholds humanitarian values and honours its international obligations.

Operation Sovereign Borders

Australia's immigration and border control activities take place not only at Australia's territorial borders but also within them and very far outside them. The Joint Agency Task Force to implement the Abbott government's 2013 Operation Sovereign Borders (OSB) involves 15 government agencies and is divided into three task groups: the detention and removals task group and the detection, interception and transfer task group, both led by the Australian Border Force, and the disruption and deterrence task group led by the Australian Federal Police.

According to Senate Estimates figures, between September 18, 2013 and January 31, 2017, 65 people smuggling ventures involving 2186 people were disrupted prior to departure. Indonesia, Malaysia and Sri Lanka seem to be the countries in which the most disruptions occur. Many of these disruptions involved intelligence or other cooperation on the part of Australian officials.[7]

OSB also involves the turn back of unauthorised maritime arrivals to the transit country they most recently departed (usually Indonesia) or, in the case, of those arriving directly from their country of origin, hand back to country of origin authorities. In theory, an exception is made for those found in a screening interview to have prima facie protection claims. Unauthorised maritime arrivals screened-in are supposed to be taken to a regional processing country (i.e. Nauru or Papua New Guinea) instead of being turned back or handed back. Between the commencement of OSB and May 21, 2018, 800 people on 32 boats had been intercepted at sea.[8] However, only two of these people had been screened in – both in 2014.

[7] Simon Benson, 'Revealed: The secret mission that stopped the asylum boats from entering Australia', Daily Telegraph, 18 September 2014.
[8] Senate Legal and Constitutional Affairs Legislation Committee (SLCALC), Proof Committee Hansard, Estimates, 21 May 2018 (Air Vice Marshal Osborne).

Australia's humanitarian activities

Australia's main counter when criticized about its treatment of asylum seekers and refugees is to point to its offshore Refugee and Humanitarian Program. There are 18,750 resettlement places in the 2018-19 program, though this is regarded as a ceiling figure rather than a target figure.[9] The fact that the program exists at all is evidence that Australia does endeavor to give effect to humanitarian values. However, the fact that the selection criteria are not exclusively focused on applicants' needs but also have regard to their integration potential is evidence that self-interest also figures strongly in Australia's calculations.[10]

In 2014, the Australian government signed a four-year agreement with Cambodia for the voluntary resettlement in Cambodia of unauthorised maritime arrivals sent to Nauru and subsequently recognized as refugees by that country. Australia pledged additional $40 million development assistance to Cambodia.

The Cambodian example illustrates how Australia uses its aid budget to advance its national interest in the refugee field even though aid as a percentage of Gross National Income (GNI) is on a downward trajectory. Since the commencement of the Rohingya exodus to Bangladesh in August 2017, Australia has announced initiatives to assist Bangladesh and Myanmar to deal with the crisis costing $51.5 million.[11] Australia's response to the crisis does, of course, promote humanitarian values. However, it is primarily directed at advancing Australia's immigration and border control agenda by supporting a very sizable displaced population to remain in their country of origin or first asylum instead of moving further afield.

Australia's diplomatic activities

The member countries of ASEAN view the irregular movement of people through the region as undesirable for economic, social and national security reasons. For the most part, their individual and collective policy responses are directed at controlling such movement rather than addressing humanitarian needs. The Plan of Action to Implement the ASEAN-Australia Strategic Partnership (2015-2019) takes the same approach to irregular movement.

The Bali Process on People Smuggling, Trafficking in Persons and Related Transnational Crime was inaugurated at a conference co-chaired by Australia and Indonesia in February 2002. Forty-five states and territories in the wider Asia-Pacific region are members.

Australia's response to the [Rohingyas] crisis does, of course, promote humanitarian values. However, it is primarily directed at advancing Australia's immigration and border control agenda.

In 2016, Bali Process Ministers adopted the legally non-binding Bali Declaration on People Smuggling, Trafficking in Persons, and Related Transnational Crime. It included paragraphs encouraging the protection of asylum seekers and refugees. In September 2017 the Bali Process Steering Committee (consisting of Australia, Indonesia, Thailand, New Zealand, UNHCR and the International Organisation for Migration) triggered a consultation mechanism in response to the outflow of Rohingyas from Myanmar. Senior officials of Bangladesh, Myanmar and Steering Committee members had a confidential meeting in Jakarta in October at which they agreed to continue to engage in non-public dialogue on the issue.[12] The non-public nature of the consultations means that outsiders remain in ignorance of what, if any, follow up meetings have taken place, what the policy outcomes have been or, for that matter, what the participants' policy objectives are.[13]

Assessment of current policy measures

Asylum seekers and refugees in South-East Asia are regarded primarily as an immigration and border control challenge by countries in the region and by Australia. Since September 2013, the central plank of the present Australian government's response has been the implementation of Operation Sovereign Borders (OSB). It has been a success in terms of achieving the Australian government's

[9] Refugee Council of Australia (RCOA), 2018-19 Federal Budget: What It Means for Refugees and People Seeking Humanitarian Protection, 9 May 2018.

[10] Naoko Hashimoto (2018), Refugee Resettlement as an Alternative to Asylum, Refugee Survey Quarterly, doi: 10.1093/rsq/hdy004

[11] Julie Bishop, 'Humanitarian assistance to Myanmar', Media Release, 4 May 2018 https://foreignminister.gov.au/releases/Pages/2018/jb_mr_180504a.aspx

[12] DFAT, Answer to Question on Notice no. 120, Additional estimates 2017-18

[13] Asia Dialogue on Forced Migration (2018), Paper 1: Review of the Activation of Consultation Mechanism in Briefing Papers https://cpd.org.au/wp-content/uploads/2018/03/ADFM-Briefing-Papers-Sixth-Meeting.pdf

primary objective, but it has been at the expense of honouring Australia's international obligations and humanitarian values. Even the responses to forced displacement which the Australian government labels as 'humanitarian' prioritise the achievement of immigration and border control objectives over humanitarian objectives. At a diplomatic level, the Australian government has made some effort to address the root causes of displacement from Myanmar and to nudge regional countries towards a more protection sensitive approach to irregular movement, but this has been minimal compared to the effort it devotes to the deterrence, disruption and interception of irregular movers.

The only way in which Australia can achieve a humane asylum seeker policy is to reverse its current ordering of policy priorities.

There is no dearth of proposals for how Australia should respond to refugees and asylum seekers in its immediate region. Given that the government's current response has been resoundingly successful in achieving its primary policy objective, the premise underlying all these proposals is that the government has wrongly prioritised its policy objectives. This is, of course, a value judgment, albeit one with which I wholeheartedly agree. The policy recommendations which follow make no claim to being 'realistic' in the present social and political climate. They are simply an articulation of what must be done if Australia wishes to claim without hypocrisy that it is a humane country. However, implementation is unlikely unless being a humane country is sufficiently important to a sufficient number of voters to mean the difference between electoral success and defeat for our main political parties.

What would a humanitarian policy look like?

The only way in which Australia can achieve a humane asylum seeker policy is to reverse its current ordering of policy priorities.

1. Australia needs to cease implementing policy measures which make it more difficult for asylum seekers to obtain protection. Among other things, this means bringing OSB to an end. There is no question that in the short term there will be an uptick in attempts to travel to Australia irregularly and that some of those attempts will succeed. This will come at an immediate and significant political cost to the political party in power, unless there is a bipartisan political commitment to explaining to the Australian people that our country is geographically protected from any true mass influx and convincing them that we can afford to absorb the few thousands who may come our way annually in the short term.
2. Australia should redirect the billions of dollars previously expended on OSB into turning the protection-friendly aspects of the 2016 Bali Declaration into a regional reality. A secondary immigration control payoff in the medium to long term may well be the stabilisation of displaced populations in countries of first asylum.
3. Australia should also aim to bring its overall aid budget up to 0.7 per cent of GNI by 2030 as it pledged to do in 2015.[14] This level of resourcing will, among other things, enable Australia to make a substantial investment in improving the human rights situation in refugee countries of origin such as Myanmar as well as capacity building investment in countries such as Bangladesh and Indonesia with a view to encouraging the local integration of asylum seekers and refugees through provision of legal status, work rights and access to education. This is again likely to yield a secondary immigration control payoff in the medium to long term by making unsafe sea journeys a relatively less attractive alternative for many refugees.
4. Demographic trends in South-East Asia indicate that Malaysia, Singapore and Thailand will have an increasing need for migrant workers to meet labour force demands. These countries are not current recipients of Australian aid nor do they need it. What Australia could be doing, however, is encouraging these countries to give legal status and human rights protection to their migrant workers and to ensure, in particular, that migrant workers who happen to be refugees are not subjected to refoulement.
5. The 2012 Report of the Expert Panel on Asylum Seekers recommended that Australia should immediately increase the size of its Refugee and Humanitarian Program to 20,000 places and consider increasing to 27,000 places within five years. The Panel also recommended that the Program 'be more focused on asylum seeker flows moving from source countries into South-East Asia'. These are recommendations worth

[14] ACFID Submission to the Senate Standing Committee on Foreign Affairs Defence and Trade Inquiry into the United Nations Sustainable Development Goals, March 2018, https://acfid.asn.au/sites/site.acfid/files/ACFID%20Submission%20-%20SDG%20Inquiry%20-%20FINAL.pdf

implementing. Such an expansion and refocusing of the Program would not by itself come close to providing a durable solution to all refugees in the region. However, it would give Australia the moral authority to encourage the further provision of resettlement places by other developed countries to refugees.

In a less than perfect world, it is extremely unlikely that perfect immigration control and perfect human rights protection are simultaneously achievable. It boils down to making a choice about who we want to be as a nation. If we want to be a humane nation, we need to choose humanitarian objectives over immigration control objectives whenever they come into conflict. If we do not, we can carry on behaving exactly as we already are.

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[15] The information in this essay was current on June 15, 2018

KATHLEEN TURNER

Australia's language deficit is a threat to its role in the global economy

Can Australia remain competitive and influential in an increasingly networked world, if we do not speak the languages of our neighbours?

While millions of people around the world are learning English, Australia has fallen behind by not devoting sufficient time, resources and effort to second language learning. It is generally not disputed that the Australian population is lacking in the necessary language skills in relation to future national economic growth partly because of the status of English as the language of international communications.

Indeed, language learning at Australian schools and universities has been on a downhill trend for a long time now and educators and advocates of foreign language literacy have been completely disillusioned by a trend that seems inevitably veering towards the extinction of certain languages being taught.

The problem is that language learning at Australian educational institutions is not seen by governments and local education decision-makers as an asset to bilateral relationships. Despite the best intentions of a small stalwart of language experts and educators, schools and universities are not adopting foreign language learning as a priority. There is no interest.

The situation is ominous in many Australian states and territories. In Queensland there has been the disbanding of more than 70 per cent of the Indonesian language programs in secondary schools since 2003. In addition, despite the Brisbane Languages Alliance which allows cross-institutional enrolment at the two remaining universities in Queensland which still offer Indonesian, there has arguably been a 60-70 per cent overall decline in the tertiary numbers since 2008.

The problem is that language learning at Australian educational institutions is not seen by governments and local education decision-makers as an asset to bilateral relationships.

At the Australian National University (ANU) in Canberra, staff and budget cuts over recent years at the School of Culture, History and Languages within the College of Asia and the Pacific, have seen teaching of languages such as Javanese stopped and senior academics in Thai and Vietnamese moved away from secure appointments. This was particularly disconcerting for many due to the university's long record of excellent in research within languages.

Several businesses have argued that an inability to trade in languages other than English is damaging Australia's export performance. Indeed, the language deficit in Australia is truly serious with most sectors having no foreign language ability for the markets they serve and disconcertingly, the largest language deficits are for the fastest developing markets.

Most sectors have no language expertise in the markets they serve

To prove the point, Diversity Council Australia's 2015 *Leading in Asian Century* report, which established the first ever 'Australian workforce in the Asian Century' national benchmarks, concluded that only 5.1 per cent of the overall workforce are fluent in one or more Asian languages; that is, those who can comfortably discuss and write about highly complex issues with colleagues and clients.

Languages, more than ever, are and will be more in demand in the future, as industry equips itself with a workforce capable of supporting markets and clients. The world is changing rapidly and new political, economic and social dynamics mean that Australian government and industry have to recalibrate their strategic outlooks.

While the international environment has changed profoundly, Australia's engagement with the world has synchronously continued to expand. It means that Australia needs to ensure, more than ever before, that its international engagement continues to work in such a way that Australia continues to prosper.

One of the main sources of demand for international engagement is Australia's two-way trade and investment. In 2017 this was worth $763 billion. Australia's top two-way trading partners are mainly in North Asia with substantial trade also with the US, UK and New Zealand. Germany is also in the top ten and there is a clear running of South-East and South Asian countries in at least the top 15 with predicted growth in the majority of these countries over the next five years. The countries which make up the 21 member Asia-Pacific Economic Cooperation group are by far Australia's top two-way trading partners.

Undertaking a simple[1] matching exercise makes it possible to identify the languages, other than English, most associated with these countries. According to a Euromonitor International[2] ranking of Gross Domestic Product (GDP) between 2010 and 2020, countries such as Brazil and Indonesia show the most dramatic growth followed by countries including China, India, Russia, Mexico and South Korea also show comparatively strong growth.[3]

According to the joint CBI/Ernst & Young publication *Winning Overseas*[4], which is explicit about the need for better language skills, a listing of high-growth markets and their associated languages identifies

[1] I emphasise "simple" as I acknowledge that regional or lesser-used languages have been omitted and more detailed patterns of language use in business in different countries have not been taken into account. You could also argue that global mobility and the internet are creating ever more complex multilingual societies. However, for the purpose of this paper, it provides a general picture of those languages associated with Australia's current largest export markets.

[2] Source: Euromonitor International 2010 (http://blog.euromonitor.com/2010/07/special-report-top-10-largest-economies-in-2020.html)

[3] Making predictions for future economic importance can be precarious, and political events may intervene to change expectations, as can be seen in the light of major events such as incidents of political and civil unrest in some of these countries.

[4] Confederation of British Industry/Ernst & Young (2011) Winning Overseas: Boosting Business Export Performance

the languages of South-East Asia and North Asia as important, but also Spanish and Arabic.

The growing importance of emerging economies will have implications for global influence, consumption, investment and the environment. Their developing consumer markets present enormous opportunities for businesses.

Arguably when it comes to investing time, money and effort, it is critical for business and government to invest in those languages, associated with our most important and growing trading partners.

Arguably when it comes to investing time, money and effort, it is critical for business and government to be able to invest in those languages, such as those associated with our most important and growing trading partners, where their efforts and resources are going to prove most effective for their particular needs.

Language investment should parallel investment in free trade deals

Likewise, it is recognised by government and business that free trade agreements (FTAs) are a critical way in which we can tap into regions which are undergoing periods of significant economic transformation. Rising incomes and living standards particularly across the Indo-Pacific are generating increased demand for goods and services. By 2050, almost half the world's economic output is expected to come from the Indo-Pacific.

Australian business looks to the FTAs as a way of facilitating stronger trade and commercial ties, contributing to increased economic integration between participating countries. Importantly FTAs open up opportunities for Australian exporters and investors to expand their businesses into key overseas markets such as those high growth markets and emerging economies.

Following the successful ratification of FTAs with China, Japan and South Korea, Australia is in the process of negotiating a number of important trade agreements including with Indonesia and India. FTAs are international treaties and are a vital mechanism in reducing barriers to trade and investment.

In a similar vein, Australia is also investing heavily in its defence capabilities to strengthen its security in the more complex strategic environment it will face in the years ahead. The Defence Department has emphasised since the release of its 2016 White Paper the need for a more active and internationally engaged Defence posture to achieve its objectives. The paper highlights the need to recalibrate Australia's strategic agenda due to the dramatically changed global environment. Issues of defence and security have become more important with growing interconnectivity. This means that events across the world have even further potential to affect Australia's security and prosperity.

Central to the development of the Defence White Paper has been the Federal Government's direction to align defence strategy, capability and resources. Addressing the growing gap between planning and resourcing by increasing defence funding will provide a sustainable basis for future investment and procurement decisions

To deliver the capabilities set out in this Defence White Paper, the Government's long-term funding commitment provides a new 10-year Defence budget model to 2025–26, over which period an additional $29.9 billion will be provided to Defence. Under this new budget model, the Defence budget will grow to $42.4 billion in 2020–21, reaching two per cent of Australia's Gross Domestic Product (GDP) based on current projections.

Under a new long-term funding commitment by the Australian Government, the White Paper underlines international engagement as growing core business. It mentions the countries of Japan, Indonesia, India, Singapore, the Republic of Korea, China and others a key partners where increased partnerships are vital. The Defence Cooperation Program is already providing defence assistance to 28 countries, which will be enhanced to build the confidence and capacity of our important regional partners.

For Australia to reach its ambitious defence and security objectives, the document has formally acknowledged the growing importance to language competence within the defence and security sectors, with specialist knowledge of foreign states, languages, and peoples now explicitly seen to be an important skill set.

For example, the national security agenda now encompasses conflict prevention and peace-building, activities in which language assumes an important role. Similarly, new linguistic skills are required to counter the growth of cyber-crime enabled by the ease of global communications and terrorism.

Education policy should be linked to international business engagement

Overall the language deficit in Australia, if not tackled, is a threat to our competitiveness, influence and standing in the world, as well as to our citizens' ability to play a meaningful role in the global economy and in an increasingly networked and interconnected world.

Whilst the Asian Century White Paper is underpinned by the message of being able to "engage better", this will clearly be a challenge if Australians do not have language skills commensurate with our vested and growing interest in our primary international markets.

It is therefore recommended firstly, that the Australian Government take a more strategic approach to language education policy, linking it to national aspirations for international engagement in business. Whilst all languages are equal from a linguistic point of view, when it comes to investing time, money and effort in the learning of languages, practical factors inevitably come into play. Politicians, taxpayers, parents and learners all want to be able to invest in those languages where their efforts and resources are going to prove most effective for their particular needs.

The Australian government and business need to focus on the long-term strategic needs for languages and perhaps ask which of them are most likely to meet Australia's needs and aspirations over the next 20 years.

Often when people think of languages in Australia, they tend to think of 'going away'. That is, travelling overseas. However, given Chinese direct investment into the agribusiness and mining spaces, Korean investment into bio-technology, Malaysian military cooperation in the Northern Territory, and French collaboration in cyber security, which all make huge contributions in and to the Australian economy, there is no need to cross borders to find situations and jobs where even a little Chinese, Japanese, or French can be a real business and career enhancer.

Current needs and the demands must be considered alongside changing global patterns of economic and cultural exchange and what this might mean for languages needed in the future. Australia's position in the world depends not only on its membership of multilateral organisations like the Commonwealth, ASEAN, APEC, the OECD but also on considering where trust between other countries and Australia could be enhanced by a greater understanding of their languages and cultures.

Secondly, it is recommended that the Australian Government and business should work together to develop educational policy relating to languages and international skills, as these have a direct impact on Australia's prosperity and international influence.

In the context of changing economic landscape and subsequent needs for our future workforce, the Australian government and business need to focus on the long-term strategic needs for languages and perhaps ask which of them are most likely to meet Australia's needs and aspirations over the next 20 years or so.

Finally, it is recommended that Australian businesses should be encouraged to invest in the development of the linguistic skills in their own organisations from which they will benefit directly.

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MICHELLE KOHLER

Going there: reviving Indonesia/n in education

Australia must create a new narrative about its relationship with Indonesia based on understanding of our own identity, genuine reciprocal engagement and learning of the languages of our region.

"[Success at home] depends on establishing beyond doubt that Asia is where our future substantially lies; that we can and must go there; and that this course we are on is irreversible."

There has been a marked shift since former Prime Minister Paul Keating delivered those words in 1992. Australia is more Asia literate, more Asia engaged and more Asia capable, and education has played a major role in bringing this about. However, the challenge laid out by Keating for Australia to reimagine itself, to participate in Asia confidently and capably remains. Despite the inclusion of 'Asia' in the recent Australian Curriculum, young Australians do not 'go there' when it comes to studying the languages of Asia, particularly South-East Asia. The experience of Indonesian language education in Australian schools and universities runs counter to the early 1990s sense of 'irreversibility' indicating that this shift is not inevitable.

Policy matters

The 1990s saw a rapid expansion in the study of the languages and cultures of Asia in Australian education. The key initiative of the National Asian Languages and Studies in Australian Schools (NALSAS) Strategy established programs, projects and processes that enabled educational authorities and schools to take the first steps towards integrating 'Asia' into education. The strategy was multi-pronged, well-funded and relatively long-term (1994-2002). It was effective in establishing the study of Asia and Asian languages in schools, specifically those of China, Indonesia, Japan and Korea. Its value was not only its substantial funding but its symbolic power to signal a new vision of Australia to the community.

The agenda lost momentum following its cessation under the Howard government, when it was considered that the program should be self-sustaining. The Rudd government renewed the focus on Asia through the National Asian Languages and Studies in Schools Program (NALSSP) however this was short lived (2008-2012). Despite interruption, these strategies were impactful first steps and more young people were learning about Asia than ever before. For Indonesian, however, this is no longer the case and the NALSAS years now represent a peak in the study of Indonesian in schools and universities.

The total number of school students studying languages has been in decline for some time, and while decline in Indonesian has been particularly marked (approximately 10, 000 per annum), Japanese, German and other European languages are also contracting. This situation exists despite targeted resourcing and efforts to build professional capacity and expertise, particularly in Asian languages. So, what is going wrong?

The problem/s

The case of Indonesian offers an indicative window on the problems. There is a view that it suffers from a poor image due to sustained negative media reporting, particularly since the Bali bombing in 2002. But there is more at play and more to addressing the problems than a makeover or 'Rhonda and Ketut' style ad campaign can achieve. It is a multifaceted problem that requires unpacking and then a multifaceted approach is needed to tackle it. The interconnection of our ideologies about multiculturalism, language learning, and specific languages, along with structural impediments in education, and community perceptions, create a toxic environment within which our Indonesia/n capability is struggling to survive, let alone flourish.

Multicultural but not multilingual

Australia claims success in multiculturalism but it has failed to imagine itself in terms of multilingualism[1]. The notion of 'tolerance' pervades our sense of multiculturalism and while we recognize the power of English as the way into Australian-ness, we are yet to embrace learning 'other' languages as a means of entering into 'otherness' and genuine inter-cultural engagement.

The tension with multilingualism in the national psyche manifests in education primarily in the form of two hierarchies: the place of languages in the curriculum, and the value of Indonesian among languages. In relation to the first hierarchy, 'Languages' is marginalized both in terms of its value and its presence, even being labeled LOTE (Languages other than English). As an area of the curriculum, Languages is a relative new comer, especially in primary schools, having been 'added' to the National Goals for Schooling in 1999. In primary schools, language education has become locked into the marginal structure of NIT (non-instruction time), making it the 'replacement' subject when the mainstream class teacher does planning. In secondary schools, the features are somewhat different but the hierarchy issue remains, with some subjects regarded as 'core' and others 'elective'. 'Languages' falls within the latter, and is typically framed as an esoteric subject for an academically oriented few. These hierarchies privilege certain types of knowledge and one particular language, English, and leave 'other' languages on the margins.

The second hierarchy is internal to the Languages learning area, and within the sub-group of Asian languages. The notion of cultural capital and prestige influence which languages students choose to study (where choice is available). In the broad groupings of European and Asian languages, for example, French has cultural prestige and Chinese has economic value. Each language has a perceived status and Indonesian, despite (or perhaps because of) being depicted as 'the easy Asian language', neither has cultural prestige nor economic value. On the contrary, it is often associated with economic disadvantage, making it attractive to an altruistic few. This limits its appeal to Australian youth who are looking to 'gain' from their language learning investment. The economic story of Indonesia today

[1] Note debate over The Australian Citizenship Legislation Amendment (Strengthening the Requirements for Australian Citizenship and Other Measures) Bill 2017 reasserting the dominance of English

is far from this perception[2], and while Australians are showing some increased awareness of this[3], it is not widely known. Presenting contemporary Indonesia, including its economic power, to young Australians is a key role for education, however, an economic justification on its own for learning Indonesian is not sufficient, and can be a double-edged sword.

From knowing less to knowing more

The 'economic benefit' orientation of language policy has dominated education in recent decades but it has been a mixed blessing. It has provided a clear rationale for learning languages, and promoted certain languages as a result, yet at the same time undermined the intrinsic educational value of language learning by focusing on utility. The economic argument also comes into question for young people when bilingual/multilingual and intercultural capabilities are not included let alone required in graduate programs and employment opportunities (in Australia at least). Business may claim to value these capabilities but this is not being realised in recruitment practices.

An economic justification on its own for learning Indonesian is not sufficient, and can be a double-edged sword.

The absence of a national policy also means there has been a flurry of state and territory activity, but a lack of coordination and coherence. A striking example of the policy vacuum is the lack of systemic data available on languages education. Since the dismantling of NALSSP, there are no reporting requirements and no data collection at the national level. As a result, there is even less data on (Indonesian) language programs, teachers and students in Australian schooling now than was available ten years ago.

There have been some recent positive developments that support education for developing our Asia capability. The Australian Curriculum provides curricula in a range of languages[4] including Indonesian, and a cross-curricula priority of Asia and Australia's engagement with Asia. The curriculum also has a set of General Capabilities that all students are to develop that includes intercultural understanding. These features have a role in reshaping school programs, however they reside within curriculum policy not broader education policy.

In the past decade, the Australian public has been more exposed to representations of Indonesia than ever, yet surveys continue to show fear and ignorance of our nearest Asian neighbour.

The other positive development is the federal government's New Colombo Plan (NCP) initiative. The NCP provides practical and symbolic support for university students to engage with Asia through short-term programs including scholarships to study languages, and business internship and mentorship opportunities. In 2019, a further 11,817 students will take part, making approximately 40, 000 alumni overall. While this is indeed an achievement, the program risks being episodic and 'additive' rather than integral to students' university experience. Furthermore, the program has no interface with schooling and the current DFAT Advisory on travel to Indonesia continues to prevent most schools from taking students in-country. Somewhat ironically also, while young Australians are being encouraged to 'experience' Asia and its languages, domestic university programs and expertise in Indonesia/n are being eroded by changes in the university sector[5]. The NCP has not translated into substantive or sustained numbers of students studying Indonesian. Indeed, if the current diminution of programs and expertise is not reversed, it may be that in-country study of Indonesian at the tertiary level will be the only option. At a time when we need to know more, and know more deeply, we are risking doing the opposite.

Fear and fearlessness

There is one further challenge specifically related to Indonesia/n and that is Islam. This elephant in the room is both prominent and invisible in the way we understand and engage with Indonesia. In the past decade, the Australian public has been more exposed to representations of Indonesia than ever, yet surveys continue to show fear and ignorance of our nearest Asian neighbour. A complicating

[2] DFAT 2018 figures show Indonesia's GDP at US$1075b with growth at 5.3%; Australia's GDP at US$1500b with growth at 3.0%

[3] 2018 Lowy Institute poll shows 58% of Australians agree that Indonesia is an important economy for Australia

[4] The Australian Curriculum: Languages includes 13 languages curricula, a framework for Aboriginal Languages and Torres Strait Islanders Languages, Classical Languages, and Auslan.

[5] See the report that the University of the Sunshine Coast will reduce its Indonesian language program https://www.pressreader.com/australia/sunshine-coast-daily/20180813/281560881625562

factor is a view of culture in the media and to some extent in education that homogenises and exoticises 'others', including their faiths. There is a need to present more nuanced and varied depictions in accessible and age-relevant forms useful for education. Furthermore, there is a strong (and understandable) reluctance amongst many teachers to address any topic related to religion and yet it is precisely sensitive and capable teaching of this that is required to improve understanding. In writing the Australian Curriculum: Indonesian we adopted this view using language learning to exploring meanings, values and beliefs, not religious teaching but rather teaching about intercultural and interlinguistic meaning. This approach can mean that Islam need not be met with fear but with fearlessness.

Imagination and courage is needed

In our 2010 report on the state of Indonesian language education, we made a number of recommendations that remain valid today. The first was to establish an expert working party to develop a clear rationale for studying Indonesian along with a multi-faceted, coordinated, long-term plan. The strategy of bringing together expertise around Indonesian language education and policy remains key to identifying obstacles and ways forward to improve our Indonesia/n capability. This group should be expanded to include business, public sector and community organisations in order to strengthen synergies and partnerships.

The second recommendation that we made was to intervene at the critical point of junior secondary where participation rates go over a cliff.

The last recommendation was to investigate several thorny issues: the impact of socio-economic status and geographical distribution of programs on participation rates; workforce profiling and planning; and the impact of primary school programs on junior secondary retention. This action would provide an empirical base to improve our understanding and inform planning.

Given our learning since 2010, a further recommendation is warranted. There is a need for business and community organisations to develop their own Indonesia engagement strategies that includes an interface with education to explore opportunities such as work placements, internships, and recruitment. Cultural organisations, such as those focused on faith, recreation, and the arts need to be more informed and supported to collaborate with Indonesian partners.

Finally, these actions may well be achievable, however will be more powerful if they are underpinned by a reimagined sense of ourselves and our relationship with Indonesia. We cannot hold a paternalistic stance but need to meet Indonesia as a partner, an equal, with whom we have shared interests and reciprocal understanding. There is much work to be done from the Indonesian side also, however Australia must create a new narrative about its relationship with Indonesia, its region and its identity.

There is a need for business and community organisations to develop their own Indonesia engagement strategies that includes an interface with education to explore opportunities such as work placements, internships, and recruitment.

An economic narrative is not enough: it does little to inspire twelve or even twenty-year-olds, and young people must be shown the value of engaging with others, and in the process learn about themselves and their own communities.

A national policy, at least of the scale and significance of NALSAS, would reignite the education sector's contribution to engagement in Asia.

Knowing and embracing who we are

For much of Australia's past, Indonesia has been regarded as exotic, alien, and suspect. The 1990s signaled the beginning of a more open and optimistic orientation that was cut short by the Bali bombings and the associated cultural shift against 'otherness' generally and Islam specifically. The period of optimism has been replaced by short-term economic pragmatism but to really know who we are in Asia and to belong here, we must be capable of genuine reciprocal engagement and this requires embracing the learning of the languages of our region. The cultural transformation that is necessary started in the 1990s through education and needs to be revived now and advanced over the long-term.

We can reimagine ourselves and embrace a more expansive identity where we navigate Asia deftly and confidently, from within but this is an on-going project has challenges and costs, but our success depends on meeting them.

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Contributors

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Helen Brown's focus is on improving the business relationship with Australia's neighbours in Asia, particularly in South-East Asia. She stepped away from a life-long career in journalism, including 20 years at the ABC, to concentrate on bringing together her skills as a connector and communicator, and utilising her insight into a dynamic and complex nation and region. She spent four years on-the-ground in Indonesia as a multi-media correspondent, gaining inside views and contacts during coverage which included the 2014 Presidential election, trade disputes, multilateral political and financial summits and business developments. She travelled to many areas of the archipelago and saw first-hand how policy and economics affected people's lives. She is now helping business to navigate these complex areas to create mindful and successful long-term relationships as managing director of Bisnis Indonesia. She is also an accomplished writer, speaker and moderator on a range of topics including Indonesia, agribusiness, trade and innovation. Helen was selected as an inaugural participant and panellist on the Lowy Institute's dialogue for journalists from Australia and Indonesia in 2015. She served on the Jakarta Foreign Correspondents Club, co-founded a media discussion group in Indonesia, and is currently on the Victorian Committee of the Australia Indonesia Business Council.

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