

DISRUPTIVE ASIA ASEAN SPECIAL EDITION



*A series of essays to coincide with the
Australia-ASEAN Special Summit*



About Asia Society Australia

For 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 is Australia's leading national centre for engagement with Asia and a part of Asia Society, a global non-profit organisation and the leading force in forging closer ties between Asia and the West through arts, education, policy and business.

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 the 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 centres in Hong Kong, Houston, Los Angeles, Manila, Mumbai, San Francisco, Seoul, Shanghai, Sydney, 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.

It presents new perspectives and policy recommendations from Australian and regional opinion-shapers and new voices on how Asia's rise is altering 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 engagement, international education) and their domestic impact (community relations, leadership diversity, education settings and capabilities).

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Welcome

Dear Asia Society Australia Members, Supporters and Friends,

In March this year, ten leaders of the Association of Southeast Asian Nations (ASEAN) member states and the Secretary-General of ASEAN will come to Sydney for the historic ASEAN-Australia Special Summit.

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

It is in essence the 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 is 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, 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 is 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'. '*Disruptive Asia*' launched last year presents essays from leading Australian and regional opinion-shapers and new voices on how Asia's rise is altering Australia's foreign policy, economy and society and how Australia should respond.

Over the course of this year *Disruptive Asia's* ASEAN series will present new perspectives and policy recommendations for economic, human mobility and forced migration and foreign policy aspects of Australia's engagement with the region against the backdrop of the changing world and regional order, an interconnected global economy and the rapidly growing movement of people, technologies and capital. These are the first five essays in the series.

Philipp Ivanov

*Chief Executive Officer
Asia Society Australia*

ASEAN and Australia in Asia's health and wellness revolution



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?

Asia's quest towards a healthier future

Global megatrends 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, wellbeing 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 wellbeing 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 Organisation¹¹ "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".

It is also interesting to note that at China's recent 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 over 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

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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 A\$10 billion and experiencing double

digit growth. McKinsey² 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

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

ASEAN peers, Myanmar as a lesser developed ASEAN country merely spends an average of 20 USD on healthcare for each of its citizens.

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.

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

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.

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 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 wellbeing 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 ecommerce 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:

“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.

There is enormous potential for Complementary Medicines to demonstrate savings from disease prevention and health promotion. More research is urgently needed for economic analysis to help guide individuals, industry and Government spending on health. Research and education on the safe,

effective and rational use of consumer and Government spending on Complementary Medicines must be a priority”

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 Organisation¹ 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.

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 wellbeing 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.

With the ASEAN Australia Summit approaching in March 2018 in Sydney, Blackmores would encourage all participating countries to consider the opportunities presented by an aligned focus 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 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.

³ Complementary Medicines Australia (CMA), “A Future for the Complementary Medicines Industry”

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 its 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



MELISSA CROUCH

Myanmar's Rakhine State Crisis: Diplomatic Challenges for ASEAN and Australia



The Rakhine State crisis needs to be at the front of the agenda of the Australia-ASEAN Special Summit

ASEAN and Australia face an ongoing 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.

In March 2018, all ASEAN Ministers for Foreign Affairs, including Myanmar's Aung San Suu Kyi, are invited to the inaugural Australia-ASEAN Summit in Sydney. The Rakhine State crisis needs to be at the front of the agenda.

If Suu Kyi attends, her visit will attract her supporters from the Burmese community in Australia who wish to show solidarity with her position on northern Rakhine State. There are also likely to be anti-Suu Kyi protestors who will demonstrate against the mass violence and displacement that has taken place, imploring her to do more in the face of alleged genocide.

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.

Mass Disenfranchisement

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.¹ 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.

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

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').² 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.

The reason this policy change was so distressing

¹ Nick Cheesman (2017) How in Myanmar "National Races" Came to Surpass Citizenship and Exclude Rohingya, *Journal of Contemporary Asia*, 47:3, 461-483

² On the complicity of Myanmar's Constitutional Tribunal in this decision to restrict the right to vote, see Melissa Crouch (2018) 'Democrats, Dictators and Constitutional Dialogue: Myanmar's Constitutional Tribunal', 16(2) *International Journal of Constitutional Law*

is because white card holders were permitted to vote in the 2010 elections.³ 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.⁴ 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.

Alleged Terrorism

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. Yet the Rohingya have not had an active armed group in recent years until now. Armed organisations in northern Rakhine State have never 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

³ Nick Farrelly. 2016. "Muslim Political Activity in Transitional Myanmar" in Melissa Crouch (ed) *Islam and the State in Myanmar: Muslim-Buddhist Relations and the Politics of Belonging*. Oxford University Press. pp 99-128.

⁴ See Melissa Crouch (2017) 'Myanmar's Advocate for Constitutional Reform: Saya U Ko Ni', 17(1) *Australian Journal of Asian Law* 1-12.

of law irregularities. The decision was made on 26 August 2017, and yet in November, local newspapers announced that the government Anti-Terrorism Committee met for the first time.

There are also major deficiencies in the Anti-

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.

Terrorism Law itself, which is absent from many of the recommended safeguards. The death penalty is attached to some offences. The Anti-Terrorism Committee benefits from blanket immunity clauses for its members, as well as for the military.

2017 was the first time a group has been declared a terrorist organisation under the new Anti-Terrorism Law. This is despite the fact that 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 organization is one of convenience, while radical Buddhists, the military and the police escape this label.

Mass Conflict and Displacement

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. A credible estimate suggests that at least 6,700 Rohingya died during the military offensive in northern Rakhine State.⁵

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. 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

⁵ MSF, 'MSF surveys estimate that at least 6,700 Rohingya were killed during the attacks in Myanmar', 12 Dec 2017, <http://www.msf.org/en/article/myanmarbangladesh-msf-surveys-estimate-least-6700-rohingya-were-killed-during-attacks>

has been exacerbated by online media.

Anti-Rohingya sentiment in fact increased on Burmese social media after the military crackdown.⁶

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 arrest 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

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.⁷

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 be a struggle to fulfil the recommendations in the Report.

⁶ The Irrawaddy, 'Soar in Dubious Twitter Accounts Since Rakhine Attacks' 2 Sept 2017 <https://www.irrawaddy.com/news/soar-dubious-twitter-accounts-since-rakhine-attacks.html>

⁷ Kofi Annan Report 2017. Towards a Peaceful, Fair and Prosperous Future for the People of Rakhine: Final Report of the Advisory Commission on Rakhine State. August 2017.

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.

In particular, the NLD must seek 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

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

Rohingya back into the political community of Myanmar.

Myanmar in the context of ASEAN

Under decades of military rule, Myanmar presented a particular challenge for ASEAN. It 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.

Suu Kyi is the main point of engagement for ASEAN and Australia. In her position as State Counsellor,

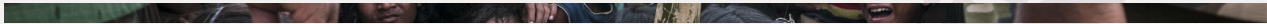
she is leading the civilian government response to the Rakhine State crisis.

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, its attempts to bury the 1MDB scandal back home a little too obvious. Instead, the 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 impending 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 broader global community, these issues need to be addressed by the region through informed diplomacy and deep engagement. The Australia-ASEAN Summit is an important place to start.

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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 ASEAN can be this decade's China. ASEAN, or the Association of Southeast Asian Nations, is a coalition of 10 nations: Brunei, Cambodia, Indonesia, Laos, Myanmar, the Philippines, Singapore, Thailand, Vietnam and Malaysia. With a population of over 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% 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 over 12%. 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% of its GDP.¹¹

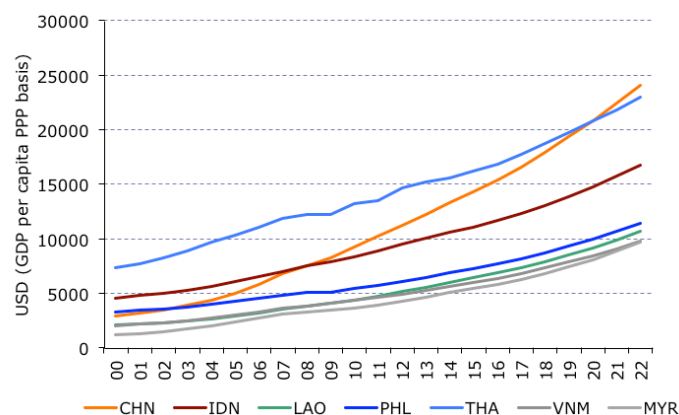
The Chinese government was opening up to international trade and companies like IKEA, Apple and IBM were growing their presence in the market with Google launching its Chinese branch Google.cn in January 2006.

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:

¹¹ This is how China's Economy has changed in the last 10 years, Andrew Wright, World Economic Forum, June 2016

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

ASEAN and China - Past and Projected GDP per capita income²



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 inter-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% of China's population, the AEC seeks to become an integrated market promoting seamless cross border trade both within ASEAN and internationally.³

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

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.

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

Procter and Gamble, a long time player in the Chinese market invested in significant market research before entering the market with analysts attributing P&G's success in China to its localisation strategies. The company spent significant time

customising its product packaging, product formulas and advertising campaigns to cater to the Chinese market.⁴

DHL's success in establishing its operation in China has, in part, been achieved by its longstanding relationship with Sinotrans-National Foreign Trade Transportation Group, a state owned logistics company. Jerry Hsu, president of Greater China DHL Express Asia Pacific commented in 2006 that:

*"DHL-Sinotrans has built up its position in China by leveraging DHL's global expertise and the local advantages of [the partnership with] Sinotrans has led to a market leadership position, with 40% market share in China and an annual growth rate of 35% to 45%."*⁵

Massive Swiss-Swedish multinational engineering corporation ABB took the approach "Think Global, Act Local" in its entry to the Chinese market choosing to create joint ventures with numerous state owned entities from the outset and rapidly building out these joint ventures across China so that it had 17 production and manufacturing facilities throughout eastern China and five wholly owned subsidiaries in China by the end of 2004.⁶

But the journey for multinationals in forming these partnerships, navigating the numerous cultural and regulatory nuances of the Chinese markets and implementing the "Think Local, Act Global" mantra, has not been without its headaches. Some global multinationals have ran afoul of Chinese cultural norms when the advertising run on television and in print was considered offensive and insulting by Chinese viewers, requiring, in some instances, a full public apology for their missteps.

In most instances, companies that have seen success in China have acknowledged that these types of mistakes, while costly, are part of the landscape of doing business in the country. They have had to reshape their corporate thinking along these lines in order to survive noting that:

*"The key to success is to have fully assessed your markets and risks, and be invested – really invested – in knowing your customers and partners, your government touch points and stakeholders."*⁷

⁴ How Procter and Gamble Cultivates Customers In China, Forbes Magazine, April 2010

⁵ Determinants of MNC's entry mode strategies in China, Shuang Wang Uppsala University Press, May 2011

⁶ Ibid.

⁷ Doing Business and Investing in China, PWC, 2013

Australian business in ASEAN now

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

“The key to success is to have fully assessed your markets and risks, and be invested – really invested – in knowing your customers and partners, your government touch points and stakeholders.”

Anecdotally it can be seen that businesses that 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 ASEAN 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.”⁸

Similarly Blackmores who, 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.”⁹

Missing the opportunity

Whilst these two examples of Australian success in the region highlight these companies’ commitment, strategic planning and corporate resilience, the reality

⁸ Solutions Magazine, Linfox, Dec/Jan 2018

⁹ ASEAN Now Insights for Australian Business, Australian Government, November 2017

of Australia’s engagement with the ASEAN region and in Asia more generally appears to be far less rosy.

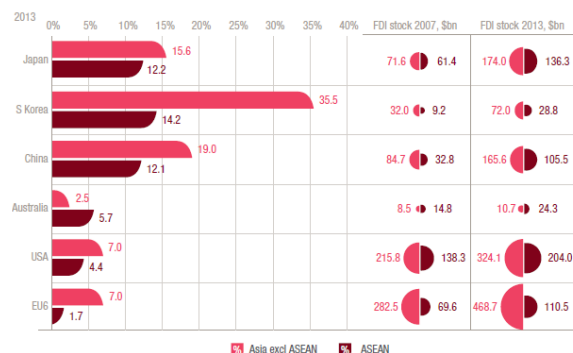
PwC’s recent report “*Passing Us By: Why Australian businesses are missing the Asian opportunity*” presents a stark view of Australia’s lack of engagement with the region, which policy makers and business leaders have noted with increasing unease.

It states that as at 2015, only 9 per cent of Australian businesses were operating in Asia and only 12 per cent had any experience of doing business in Asia at all.¹⁰

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

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 2013.¹¹

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 way of doing business that the region requires for success.



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

¹⁰ Passing Us By: What Australian businesses are missing the Asian Opportunity and what they can do about it, PwC, December 2014

¹¹ Ibid.

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 over 21% of the world's internet usage now occurs in China.¹²

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 (752 billion US dollars) 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 the opportunity that the Australian "brand" of health and wellbeing presents with 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 2015.¹³ 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.

Speaking with the Australian Financial Review recently, Chief Executive of Wine Australia, Andreas Clark noted:

"We've just done a deal with Ali Baba to get Australian wine online in China. They have this incredible culture of jumping on the internet and ordering a few things, and these couriers bring it straight over. To succeed in this market will mean accepting the online channel."¹⁴

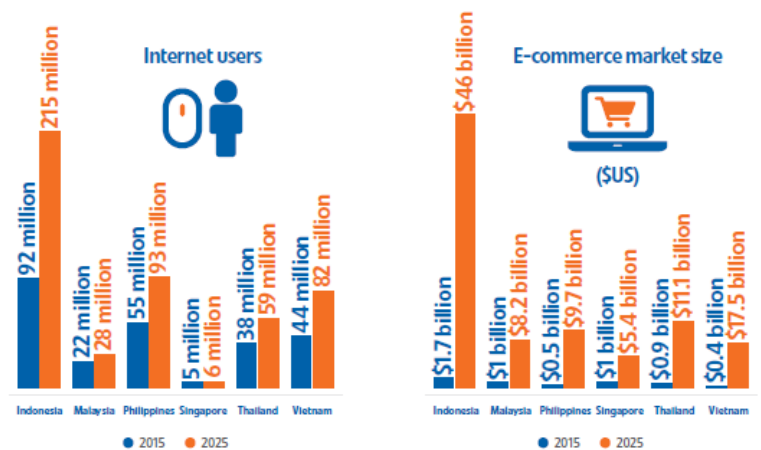
¹² www.Internetlivestats.com

¹³ Cross border e-commerce is luring Chinese shoppers, McKinsey & Company, December 2015

¹⁴ Australia China Business Council says integration of economies entering intense phase, Australian Financial Review, September 2016

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 per cent over the same period, with the value of the e-commerce market in ASEAN predicted to reach over 97 billion US dollars in the 6 major ASEAN economies by 2025.¹⁵

Figure 14 – Forecast Internet and e-commerce growth in six ASEAN countries



Source: Google and Temasek, 'e-conomy SEA: Unlocking the \$200 billion digital opportunity in Southeast Asia', May 2016¹⁵

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 (with hindsight) 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

¹⁵ ASEAN Now Insights for Australian Business, Australian Government, November 2017

argued ASEAN is not a short-term play.

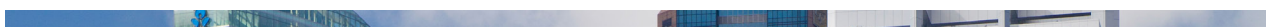
Adding to the urgency is the reality that the economic growth countries across ASEAN are seeing now is not cyclical. It is a function of the dynamics of the growth in consumer demand across the region, driven by the expanding middle class with access to an increasing disposable income. This too, is finite.

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.

As foreshadowed in the *Australia the in the Asian Century White Paper* in 2012:

"The scale and pace of Asia's transformation is unprecedented and the implications for Australia are profound."

Anna Green is the Chief Executive Officer, Philippines at Australia and New Zealand Banking Group Limited



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.

Investment in Australia's future

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.

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

Region	Total students 2014 - 2018	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
South Asia	5,262	20	5,242
Pacific	2,437	25	2,412
IORA	13,611	161	13,450

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

“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.”

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 12 October 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.”

Malaysian Prime Minister Najib, in his Joint statement with Prime Minister Turnbull, 22 November 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 benefitting 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 will commence with a global strategy consulting firm in Sydney in 2018.

"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."

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 AUD \$90 billion and two-way investment totalled around AUD \$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.

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% 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, 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 AM, 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, Kevin 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 multigenerational 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.

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 refocusses 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

Table 2: NCP scholarship and mobility programs by ASEAN country 2014-2018

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

Source: NCP Secretariat, DFAT Feb 2018

DAVID BURNS

A connected ASEAN



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 to be hosted in Sydney in March this year marks an important milestone for Australia and Southeast 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.

Southeast 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% of Southeast 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 percent and 20 percent 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.

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%, Indonesia's online consumer goods market is worth US\$7 billion and growing at more than 20 percent year-on-year.

A recent study by ATKearney found that the

Southeast 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.

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 Southeast 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 Southeast 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.

Telstra is also a participant in the New Colombo Plan, a foreign policy 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

While each Southeast 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.

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 subsea cables that connect it to the United States, its member states, and of course Australia. Telstra's subsea 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.

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 Southeast Asian success story, the company is now valued at US\$4 billion.

Telstra has recognised the potential of Southeast Asia's rapidly growing technology start-up sector,

having partnered with Telkom Indonesia to co-invest in two companies, with more expected to follow. Our Muru-D start-up accelerator in Singapore supports start-ups from across the region, with three graduates from Indonesia last year among its alumni.

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 Southeast Asia.

Connecting to opportunity in South East Asia

Southeast 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 Southeast 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 Southeast Asia but to all those who help it on its digital journey.

David Burns is Group Managing Director of Global Services and International at Telstra



Biographies

David Burns

David Burns is a Group Managing Director (GMD) Global Services and International at Telstra.

David Burns has three decades of experience in the telecommunications and technology sectors, having held a variety of strategic roles with IBM across Australia, the Asia Pacific region, North America and the United Kingdom, before joining Telstra in 2012.

David is currently Group Managing Director (GMD) Global Services and International at Telstra Enterprise, Telstra's A\$6 billion services and solutions business for enterprise and government customers. In this role he is responsible for designing, building and managing an integrated services capability for Telstra's business, enterprise and government customers in Australia and around the world. David is also responsible for leading Telstra Enterprise's business outside Australia, including approximately 3,500 people in 20 countries and the largest submarine cable network and integrated data centre footprint in the Asia Pacific region.

Just prior to joining Telstra, David was General Manager, IBM Global Technology Services (GTS). Based in London, he was responsible for IBM's IT services and outsourcing sales and delivery functions for the United Kingdom and Ireland. He has also held a number of industry facing roles at IBM covering the financial services, utilities and government sectors. David began his career as a marketing representative at IBM in Adelaide.

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Melissa Crouch

Dr Melissa Crouch is a Senior Lecturer at the Law Faculty, the University of New South Wales, Sydney. Her research contributes to the field of Asian Legal Studies, with a focus on Comparative Constitutional Law; Law and Development; and Law

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Melissa is the author of Law and Religion in Indonesia: Conflict and the Courts in West Java (Routledge, 2014). She is the editor of several volumes including 'Islam and the State in Myanmar: Muslim-Buddhist Relations and the Politics of Belonging' (OUP 2016), and The Business of Transition: Law, Development and Economics in Myanmar (CUP 2017).

Melissa leads the UNSW Law Southeast Asia engagement strategy, and is the Myanmar Academic Lead for the UNSW Institute for Global Development.

Doug Ferguson

As head of KPMG's Asia & International Markets team and as a Deal Advisory Partner, Doug has positioned himself as a bridge between Australia and other countries for major investment projects.

Doug's extensive regional knowledge – and conversational Mandarin Chinese – is built on a decade of living and working in Taiwan, China and Hong Kong as a Transactions specialist. His most notable task while there was to assist in the disposal of Lehman Brothers' distressed assets throughout Asia.

Doug's other great interest is agribusiness, fuelled by his family's cattle grazing business in Central West NSW. He is a Business Champion of the New Colombo Plan and Chairman of Asia Society Australia.

Anna Green

Anna Green is Chief Executive Officer for ANZ Banking Group in the Philippines.

Prior to joining ANZ Philippines, Anna was based in Laos as the Chief Executive Officer where she regularly worked with multinational clients across ASEAN to structure and facilitate innovative cross-border financing solutions to meet their business needs.

Her background and experience in banking, finance

and law has enabled her to partner with international development multi-laterals including the United Nations and World Bank on financing and corporate social responsibility initiatives across ASEAN region. Anna formerly headed the Australian Chamber of Commerce in Laos as its president and was a founding member of the Australian ASEAN Chamber of Commerce.

Prior to ANZ Bank, Anna practiced international banking and finance law in leading international law firms in both the UK and Australia.

Anna is a passionate advocate of diversity in the workplace and corporate social responsibility.

Peter Osborne

Peter Osborne is the Managing Director, Asia at Blackmores. Peter is a former Australian trade diplomat with extensive experience in business development, sales and marketing, trade development, and export and investment facilitation and promotion. He is responsible for Blackmores' Asia business, including subsidiary companies in Singapore, Thailand, Malaysia, Taiwan, Hong Kong, Korea, China and Japan; joint venture Kalbe Blackmores Nutrition in Indonesia; distribution partnerships in Vietnam, Cambodia, Kazakhstan, Mongolia, Iran and Pakistan; and overall strategy for Blackmores' growth objectives in Asia.

Prior to joining Blackmores in 2009, Peter was one of Australia's most senior trade diplomats working with the Australian Trade Commission in China, Taiwan, and Hong Kong. He also spent several years in Fiji as the Trade and Investment Director of the South Pacific Forum Secretariat and served as Expert Adviser to the UN Conference on Trade and Development and the UN Commission for Sustainable Development.

Peter has lived and worked in Asia for nearly 30 years and speaks Mandarin-Chinese. Peter is a graduate of the Australian Institute of Company Directors, a Fellow of the Hong Kong Institute of Directors, and the first foreigner to be appointed as Honorary Vice Chairman of the China Association for Quality Inspection (CAQI) in Beijing.



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