



Options Paper

What does it look like for Australia to be a ...

Strategically Coherent Actor in Southeast Asia

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Asia-Pacific Development, Diplomacy & Defence Dialogue



Secretariat@asiapacific4d.com



www.asiapacific4d.com



[@AsiaPacific4D](https://twitter.com/AsiaPacific4D)



<https://au.linkedin.com/company/asia-pacific-development-diplomacy-defence-dialogue>

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Why it Matters

While Australia is prosperous and seemingly secure, many of its longstanding international assets and advantages are eroding. Positive trends that for decades favoured geopolitical stability, democratic advancement, open economies and tolerant societies have stalled or reversed, including in Southeast Asia. Australia's relationship with China – its largest trading partner – has become adversarial. Previously, Australia was kicking with the breeze, now it faces strong headwinds.

This is a problem because Australia's strategic system for setting international priorities, developing appropriate policies and building core capabilities is not fully fit for purpose and is declining in key areas.

A STRATEGIC SYSTEM NOT FULLY FIT FOR PURPOSE

Australia is perceived to be good in response to crises: quick, decisive and well-connected. Strong regional examples include the Bali bombings, Timor stabilisation and the Indian Ocean tsunami. However, it is more challenging to see crises coming, head them off or prepare in advance.

In the past this may not have mattered as the trends were largely benign. Now many trends are negative and the systems, norms and global leadership on which Australia previously relied are breaking down. Australia needs to be working the long game, but it is currently not geared for this. If crises are going to be more frequent in future, new methods are needed to get ahead of the game. This has been acknowledged in domestic governance reforms following both the 2020 bushfires and the COVID-19 crisis.¹

As the 2017 Foreign Affairs White Paper recognised, Australia needs to forge new relationships, tackle new problems and build new forms of international governance. To achieve this, it needs to strengthen its strategic decision-making system to recognise wider threats and opportunities, more clearly adjudicate and articulate its interests and connect its expanded and rebalanced international efforts.

¹ Reforms included the replacement of COAG with a National Cabinet to deal with COVID and major reforms

The most logical place for Australia to start is working to build regional relationships by addressing the highest Southeast Asian priorities, including infectious disease management, economic recovery and cyber security. But it must also improve its strategic system so that it consistently produces better outcomes, dragging the focus back to Australia's enduring interests and regional priorities.

Within DFAT there are areas and individuals that argue the importance of openness and of addressing instability, inequality, governance failures and other drivers of internal and external conflict in the region. However, the national agenda is more focused on the immediate concerns of the departments of Home Affairs, Attorney-General's and Defence. The National Intelligence Community dominates Australia's national security system and, essential as their work is, there is a danger of a 'monoculture' that focuses too heavily on immediate hard security threats. There are concerns that assessments are heavily weighted to downside risks and give inadequate attention to a wider range of issues, threats and opportunities.

System level international relations coordination in Australia falls almost exclusively to the Secretary's Committee on National Security. This mechanism is essential, but insufficient. There is an argument that DFAT should primarily hold this role, but it is not clear DFAT as it currently stands has the clout or resources to discharge the responsibility effectively. One option is to ensure that it does. Another is to mandate and resource the Department of the Prime Minister and Cabinet to undertake the job, carrying as it does the authority of the highest office in the land. Either way, a broader process of policy development and coordination is needed to support ministerial decision making. Such arrangements might allow for the evolution of an Australian National Security Council.

One important reason why Australia has not adequately addressed its declining profile and influence in Southeast Asia is that the system has not forced Australia to confront it. There are

to COMDISPLAN and Australia's national crisis response framework after the Bushfires Royal Commission.

examples of robust and rigorous performance assessment, particularly in defence and intelligence programs and the work of the awarded – but now abolished – Office of Development Effectiveness. However, these examples are largely at a program level and are not representative of the system as a whole, which is viewed as weak in assessing in real-time whether strategic objectives are being achieved.

The solutions to this problem include promoting a much stronger strategic performance culture in major departments and across the system as a whole.

DECLINING CAPABILITY

Australia's international challenges have increased, but not the resources invested in the task. On the contrary, efficiency dividends and budget cuts have not only reduced program deliverables, but also led to a shedding of policy development and program management skills and capability.² DFAT has a significantly increased agenda, including delivering development programs, but has lost much of its program delivery capability.³ This is not only leaving the department underpowered, but also storing up major, unrecognised fiduciary and reputational risks.

As the latest Lowy Institute Power Index recognises, Australia's comprehensive power has declined.⁴ Simultaneously Southeast Asia has become more important to its interests. Ministerial visits to Southeast Asia, while having increased recently, are relatively few and far between. Australia's bilateral development programs have been halved, as other countries have increased their economic engagement, pushing Australia to the rear of Southeast Asia's top ten development partners.⁵ Export growth has been underwhelming and Australia's Asia literacy has waned. There is a danger that Australia will become resigned to its economic, institutional and

people-to-people relations in the region never achieving their full potential.

By 2050 – if conflict is avoided and they manage their way through 'the middle-income-trap' – several Southeast Asian nations may be amongst the top tier global economies.⁶ Southeast Asia's current and projected growth gives it more weight in the world – and more attention. The decisions its leaders take will make Australia more or less secure, more or less prosperous and more or less able to confidently navigate the world.

The region is increasingly an arena of geopolitical contestation and, despite its discomfort with these circumstances, this will continue. Southeast Asian nations want strategic, economic and political options, including for energy security, infrastructure and security balancing. If Australia is worried about a Chinese-dominated region, it needs a far more intensive and influential approach to diplomacy, defence and development in order to generate options so that countries in the region can avoid over-reliance and resist coercion.

The region's most trusted partner, Japan, provides a model of strategic success that Australia should seek to emulate. Tokyo has extensively engaged in Southeast Asia – including contributing large amounts of finance – and is patient and undemanding. It is highly trusted as a result.

Australia needs to move faster, with more regional knowledge and skill, and with greater intent and perseverance, to turn the diplomatic rhetoric of Southeast Asian regional strategic partnerships into tangible results. A roadmap for deeper relations is essential, but Australia also needs a more creative, contestable strategic culture. That combination of plan and culture would allow Australia to clarify its strategic objectives and align its policies, strategies, people and budgets into a strategically coherent whole.

² Graeme Dobell, "Fifty Years of Foreign Affairs; the anaemia problem", *The Strategist*, December 2020: <https://www.aspistrategist.org.au/fifty-years-of-foreign-affairs-the-anaemia-problem>

³ Richard Moore, *Strategic Choice; A future-focused review of the DFAT-AusAID Integration*, Development Policy Centre, 2019: <https://devpolicy.org/publications/a-future-focused-review-of-the-dfat-ausaid-integration-2019/>

⁴ Hervé Lemahieu and Alyssa Leng, *Asia Power Index*, Lowy Institute, 2021:

<https://power.lowyinstitute.org/downloads/lowy-institute-2021-asia-power-index-key-findings-report.pdf>

⁵ Richard Moore, *Strategic Choice; A future-focused review of the DFAT-AusAID Integration*, Development Policy Centre, 2019:

<https://devpolicy.org/publications/a-future-focused-review-of-the-dfat-ausaid-integration-2019/>

⁶ PwC, *The World in 2050. The long view: how will the global economic order change by 2050?* February, 2017: <https://www.pwc.com/gx/en/research-insights/economy/the-world-in-2050.html>

What is Strategic Coherence?

Strategic coherence is about 'getting our act together', making the most of strengths and reducing weaknesses. It is about different parts of government – and potentially, wider Australian society – utilising their capabilities within an overall game-plan that maximises the chances of success. It necessitates having clear and shared goals and working together to see that they are achieved. Australia can strengthen in both regards.

Strategic coherence does not mean there will be no institutional conflicts, but in a business and bureaucratic sense, strategic coherence is about taking a 'systems approach': aligning strategies, people and budgets behind shared priorities.

This is an approach modern sporting teams often take. Sports coaches/managers organise players into a favoured 'formation' to maximise the team's collective attributes. This is 'strategically coherent'. While executing the game-plan successfully benefits from skilled players, advanced training and the right incentives, a strong team culture and organising players in their most effective positions maximises the chances of success no matter what assets a team has.

Of course, international relations priorities overlap, shift and compete, but some interests – such as those within Australia's immediate neighbourhood – endure and are sufficiently important to want all parts of government to be pulling in the same directions. To achieve this, a consistent framework and agreed ways of working are needed to set out strategic priorities and how they will be achieved.

But what if the strategic objectives settled on are wrong, the analysis faulty, or the processes too slow? These are real risks to be managed. Strategic planning must be recalibrated in real-time. Processes must allow for rapid, expert reassessment. Progress must be independently monitored especially against strategic objectives and course corrections should be ongoing. The strategic culture and the strategic system should support each other in constantly drawing attention back to Australia's priority interests: both long-term as well as short and the grindingly difficult as well as the straightforward.

While Australia's overarching strategic objectives ought to guide all of its international work, the role of each actor in achieving these objectives may be distinctly different. Differences in mission and mandate should be recognised and agencies and programs allowed to specialise in what they do best. For example, while development cooperation can play useful roles in providing fast, flexible, responsive assistance, its key and unique value-add is in making lasting contributions to long-term development and relationship building.

Australia's Response to the Downing of Flight MH17

The downing of Malaysian Airlines flight MH17 over the Ukraine in July 2014 killed 298 people, including 38 Australians. The Australian-led effort to draft and secure passage of resolution 2117 (2013), adopted with 14 votes in favour and one abstention (Russia), was a clear success of Australia's term on the UN Security Council (2013-14). The resolution secured a cease-fire around the crash site, safe recovery of bodies and agreement towards an international investigation, all negotiated a mere four days after the flight was downed by a suspected missile attack.

The episode highlights Australia's highly professional diplomats delivering in a crisis situation. Much of Australia's diplomatic success was due to technical mastery and professionalism, which in turn derive from resources invested. The ramp up in diplomatic staffing in New York after Australia won a seat on the UNSC allowed the mission to respond effectively when Australia's interests were threatened.

Yet as investment in diplomatic resources continues to decline, this advantage is being reduced. While Australia's crisis-response capabilities are exceptional, its ability to lead and influence longer term 'slow-burning' proactive diplomatic initiatives is less proven, especially across the last two decades. Recent diplomatic successes speak primarily to tactical competence, rather than strategic capability.

“Australians at different times ... have seen themselves as builders of the British Empire, representatives of a beleaguered white race in a sea of Asians, a pillar of the West in a global Cold War, a loyal American ally, a successful multicultural society seeking its future in the Indo-Pacific, a model international citizen, a tribune of liberal democracy. All these images have helped fashion Australia’s role in world affairs.

The question is: what comes next? ... Australian statecraft is about to be tested and the outcome is far from clear.”

Allan Gyngell, “Australia’s diplomatic ranks lack firepower when they need it most”, Australian Financial Review, August 2021



“The contest to influence narrative is a test of leadership. Leadership matters more in times of crisis, strategic vulnerability and when international conditions are fluid. That time is now. Yet, it is also a test of diplomacy in its many forms — traditional and public, external and domestic — to engage with conventional and less conventional audiences.”

Caitlin Byrne, “Securing the ‘Rules-Based Order’ in the Indo-Pacific: The Significance of Strategic Narrative”, Security Challenges, August 2020



“As border closures have remained in effect for 15 months and counting, there are mounting concerns this is having implications for Australia’s national character. And serious questions need to be asked about the message Australia is sending to the rest of the world by shutting everyone out.”

Natasha Kassam, “Fortress Australia: What are the Costs of Closing Ourselves off to the World?”, The Conversation, May 2021



Aligning Views

AUSTRALIAN VIEWS

Given its geographic proximity, Southeast Asia has always played a significant role in Australia's international relations. It is a security gateway to Australia, a growing US\$3 trillion market of 650m consumers and a rising centre of power. Australia retains a large diplomatic presence in Southeast Asia and has worked to upgrade several bilateral and regional relationships. Its defence engagement is substantial, sustained and valued. And yet, over the last 20 years, relative stability, growth and development in Southeast Asia have encouraged Australia to shift its strategic focus elsewhere, including alliance commitments in Afghanistan and Iraq and significant demands in the Pacific.

There is a pronounced difference in how those inside government and those outside – both Australian and regional – assess Australia's strategic coherence in Southeast Asia. Members of the government and bureaucracy point to a continuous series of initiatives whose tempo has quickened recently – an annual leaders' summit, new strategic partnerships and various trade and security agreements – as important forms of regional engagement. It would be wrong to say that the region is receiving little attention, but the pattern and pace of relationship-building is insufficient for the circumstances Australia now confronts.

SOUTHEAST ASIAN VIEWS

Australia's rhetorical acceptance of 'ASEAN centrality' has been undermined by announcements that take the region by surprise. AUKUS is the most recent, but comes on the back of the formation of the Quad. Other examples include Australian border control measures, animal export restrictions and consular issues where decisions have been presented as a fait accompli. Australia's relatively rapid reframing of international relations in terms of geostrategic competition between the United States and China is perceived as attempting to force Southeast Asian countries into choices they would prefer to avoid. Policies that create a perception of a 'Fortress Australia', for example through management of people movement, highly risk-

averse travel warnings or a perceived indifference to climate change impacts, leave Australia outside of the regional consensus and at risk of reinforcing an image of Australia and Australians as set apart from the region.

Australia's regional statements, formal positioning and high-level messaging are broadly well-received, but supporting actions are sometimes inadequate and inconsistent. Australia has significant successes to point to in each domain – defence, development and diplomacy. However, these 'wins' are not always joined-up to be mutually reinforcing and maximise overall achievement of our strategic goals.

Australia can be perceived as running hot and cold on relationships based on its own immediate needs and sending mixed messages about where Southeast Asia sits in its priorities. Lack of follow-through creates an incoherence that diminishes Australia's reputation and influence. If Australia wants to be a fully-fledged regional partner it needs to be seen as both a good listener and active in addressing regional priorities.

OPPORTUNITIES FOR ALIGNMENT

The conclusion is that if Australia is serious about deeper engagement with Southeast Asia and wants the region to become more open, democratic and rules-based it will require a 'full court press' on a much larger scale, consistently pursued over many years. This will obviously cost more, but finance gains attention. Without it, Australia's influence is much diminished.

Additional resourcing brings additional responsibility. New systems, processes and performance measures need to be put in place to provide confidence that the policies and programs selected under the regional strategy will deliver the maximum possible benefits in terms of strengthening Southeast Asian relations. The strategic system must be rigorous, responsive and results-focused.

“For all its wealth, Australia remains a limited power ... [it] therefore needs to make hard choices about how it uses its capabilities.

Australia will be required to do more of the heavy lifting to protect the region’s norms. The most important component will be building trust and mutual perspectives with other countries, particularly with Southeast Asian states ... Yet for Australia to also step up in Southeast Asia it will first need to step out of its shell.

Australia will need to take a more holistic approach to its foreign policy and understand the domestic initiatives that could increase the country’s capabilities.... And, of course, Australia needs an enhancement of Asia literacy within its population to bridge the cultural divide Australia has in its region.”

Grant Wyeth, “Australia’s Southeast Asian Step Down”, The Diplomat, March 2020



“There is no doubt that Australia’s links to Asia will expand in years to come, both in terms of demographics and politics. Ultimately, its future status and identity in the region will depend on how it interprets its place in Asia, and how it reflects this interpretation through its policies – and whether this alters perceptions among its Asian neighbours.”

Sarah Teo, “Can Australia be One of Us?”, Australian Foreign Affairs, April 2019



“How are we to live in the Indo-Pacific in the 21st-century? This is not first a question of policy or strategy. It is a challenge to strategic imagination.”

Brendan Sargeant, “Challenges to the Australian Strategic Imagination”, Centre of Gravity Series, Strategic & Defence Studies Centre, May 2021



Barriers

LACK OF A NARRATIVE AND A PLAN

Australia needs a storyline that positions it in Southeast Asia and helps to navigate relations and events. This requires a plausible, positive vision of how the region operates and where Australia fits in. This would help determine how best to pursue Australia's interests in an increasingly crowded and competitive space. The plan would need to nest within a larger narrative and provide clarity about who Australia is and where it is going as a nation to underpin its action in the world.

In the uncertainty of the reordered post-war world, Australia made major readjustments. The United States became its primary security partner, decolonisation proceeded rapidly and the Cold War framed its strategic thinking. Australia was very active in Southeast Asia, building alliances, supporting institutions and initiating development diplomacy in the form of initiatives such as the Colombo Plan. Later, in the 1990s, a renewed emphasis on strategic and economic engagement with Southeast Asia saw Australian political leadership of major diplomatic, defence and development efforts, perhaps best expressed in leadership of the Cambodian UNTAC mission, alongside long-term practical support for ASEAN, intensive engagement with Indonesia and sub-regional economic cooperation in the Mekong.

While these periods are suggestive of what can be achieved, they do not provide adequate templates for the future. The countries within the region are stronger and more capable now. They know their own interests and priorities. They want neither old-style aid, nor paternalistic diplomacy. It is harder for Australia to add value and also harder to be heard. Geopolitical contestation is real and ongoing – even if viewed differently in the region – and Australia will need to be skilled, nimble and creative to nudge events in its favour.

What is needed is absolute clarity about what Australia's objectives are, a tight focus in pursuing them and well-tested strategies that are continually sharpened and reshaped. The most

productive approach would be to forgo trying to be a helpful but somewhat detached outsider and instead reposition Australia as an invested insider. Australia could anchor its Southeast Asian diplomacy, development and defence work in a strategy of shared interests.

DIVISIONS ON BIG STRATEGIC QUESTIONS

Australia is ambivalent on several important strategic questions including where Southeast Asia sits in terms of its priorities, the significance of ASEAN and the value of its diplomatic and development efforts.

Southeast Asian relations are currently run on a shoestring. In late 2021 DFAT had a third of the staff working on Southeast Asia as it did on the Pacific and its development efforts have been downsized, prematurely disengaging from working on some of the highest political priorities of the region. Several former senior defence officials have begun to speak out about the damage this is doing to Australia's reputation and broader security interests.⁷

As with climate change, the principal policy division appears to be between executive government and the bureaucracy. While officials must respect ministerial responsibility and decision making, the executive should listen to and trust the expert advice it receives. Without a dynamic policy interplay between the executive and the bureaucracy it is likely serious misjudgements will be made.

Currently it is clear that governments need to be further persuaded on the merits of enhanced cooperation with Southeast Asia. The development, diplomacy and defence communities have more work to do to build the case. This might best be accomplished by moving from the abstract notion of intensified relations with Southeast Asia to a practical roadmap of what this would entail via funded programs in priority areas. A plan can become the process by which choices are illuminated, tested and executed.

⁷ Angus Grigg and Lisa Murray, "Defence establishment frowns on proposed Australian aid cuts", *Australian Financial Review*, April 6, 2018:

<https://www.afr.com/world/asia/defence-establishment-frowns-on-proposed-australian-aid-cuts-20180405-h0yd3t>

Consensus needs to be built on the importance that should be given to regional economic growth and cooperation. The case for prioritising this is that regional growth and development result in more capable, better-resourced states and more contented communities and citizens. As nations become more resilient, they are better able to resist coercion and protect their territory and interests.

Stable, fast-growing states can sort out their problems so that they do not become ours. As their populations not only grow, but become wealthier, large new markets open up for Australian goods and services. The Asian middle class is expected to triple between 2010 and 2030 offering considerable diversification opportunities if Australia can gear itself to meet them.⁸

There is an argument that potential gains for Australia are illusory, as several of the fastest growing Southeast Asian states have become mired in politically intractable power struggles, hobbling their progress, and instability has not disappeared. Countries in the region have not become more democratic, more tolerant and more inclined to cooperate with each other. And at a transactional level, repeated, if modest, Australian efforts to tap Southeast Asian markets have yielded weak results. Better, it is argued to focus more directly on assisting Southeast Asian states build resilience to coercion, whether in cyber technology, maritime security or counter intelligence cooperation. Yet, if substantially more priority were allocated to the region, it would be possible to do both.

Australia has not built strong economic relations with Southeast Asian countries because it has been easier to ride the China boom with massive mineral export growth and stick to traditional markets for consumer goods. But the need for new markets has increased and the opportunity cost of ignoring continued market expansion and service trade liberalisation is growing. This argues for renewed attempts to deepen regional economic engagement. Yet this is much more than a trade promotion task. It would require a whole of society effort, led by government, driven by the

⁸ Natalie Chun, *Middle Class Size in the Past, Present, and Future: A Description of Trends in Asia*, Asian Development Bank, 2010: <https://www.adb.org/sites/default/files/publication/28421/economics-wp217.pdf>

Economic diplomacy: a challenge for Australian strategic coherence

If major conflict can be avoided, there are good prospects for sustained growth in Asia for at least the next 50 years. By 2050, five of the ten ASEAN states may be amongst the top 25 global economies. This economic expansion will provide huge opportunities for Australia if it opens up to take advantage of them. There will be bigger markets, especially for services, more two-way investment opportunities and deeper and broader regional economic integration based on complementarities.

There is often a recognition of the great benefits of Southeast Asian growth and development, but this has not consistently translated into policy and practice. Both the Australia in the Asian Century Foreign Affairs White Paper lacked implementation plans and/or funded programs. DFAT has strong, stand-alone trade capability, but limited broader economic expertise and heft. Country development programs in Asia are now around half what they were 10 years ago, while other nations have expanded their support.

A more coherent response would recognise the huge national interest benefits of Asian growth and gear up to take advantage of them. It would look at domestic reforms needed and consider how Australia could be a supportive partner – removing Australian barriers to economic engagement; encouraging openness; and rejecting a 'Fortress Australia' strategy.

Australia's international economic policy needs to become more connected and avoid being disjointed, transactional and narrowly focused on trade in goods rather than services. There are multiple departments and agencies across different levels of government pursuing different and sometimes contradictory international economic objectives.

There is currently no machinery to bring all of this together to maximise the gains for Australia. In the past this did not have large visible costs because East Asian growth has been so rapid and its demand for resources so large, that the benefits far outweighed the costs. However this has left Australia over-reliant on China and on mineral exports.

Australia needs to reposition with a clear, coherent plan providing pathways to achieve it. It needs to broaden its focus to include finance, knowledge, services and labour markets and bring long-term thinking, deep expertise and Asia literacy to the task.

private sector and supported by much stronger cultural, education and language acquisition. Arguably there was such a whole-of-government approach in the 1990s, but it was not sustained. It is time to revisit it, not least as the opportunities for knowledge sector engagement are very large and have multiple pay-offs.

On gender too, there are mixed views and mixed messages. Successive ministers have made greater gender equality a foreign policy priority. There is no doubt in terms of statements, speeches, events and awards, gender issues have been brought into the diplomatic mainstream. Despite this, many interlocutors doubt the follow-through, seeing more opportunities to unlock women's economic participation – and foster more sustainable growth – through its incorporation in trade agreements and mainstream economic policy programs.⁹ Likewise, security discourse might be deepened and made more effective by more thorough consideration of the Women, Peace and Security agenda.

⁹ Shannon Zimmerman, "Australia needs a feminist foreign policy", *The Interpreter*, March 2020: <https://www.lowyinstitute.org/the-interpreter/australia-needs-feminist-foreign-policy>

The Vision in Practice

What does it look like for Australia to be a strategically coherent actor in Southeast Asia?

A comprehensive integrated framework provides Australia with a strategic grand narrative and a unified approach to Australia's international relations. As a result, some wide-ranging changes are made to how Australia's international policy and programs are planned and implemented.

Robust systems, strong institutions and deep regional expertise are assembled to debate and determine objectives and how best to meet them. A culture of contestability is created and a process of strategic system strengthening is implemented.

Following rigorous interrogation of Australia's interests and priorities and both Southeast Asian and Australian consultations, a funded roadmap for more intense and effective Southeast Asian relations is developed. The roadmap has ASEAN at its core and is centred on shared interests. Transboundary issues such as maritime cooperation, cyber security and people movement are prominent, but so too are economic development, climate change, disaster preparedness and joint efforts to build deep institutional and people-to-people links.

The roadmap provides a base to integrate Australia's strategic planning and coordinate its international assets. Political leadership is cemented through ongoing engagement by the Prime Minister, Minister for Foreign Affairs and other ministers.

To align resources with what needs to be done, a whole-of-government, strategic budgeting process is introduced. This will commence with an audit and rebasing of resources, expanding Australia's diplomatic and development efforts in the region. The new processes include an upgraded, cross government strategic performance assessment system. The overall system monitors and makes course corrections to support strategic coherence.

The combination of a Strategic Framework and a Southeast Asian Roadmap nurtures a common strategic outlook across Australia's international policy and programs, providing a base for consistent messaging to the region. Efforts are made to align the interests of players within the

system with incentives supporting greater coherence. This includes new departmental units, institutions and programs focused on long-term threats and opportunities and changes to overseas posting cycles and personnel performance assessments to increase attention to long-term issues.

Several steps are taken to promote deeper, whole of government strategic coordination with the encouragement of greater movement of personnel between development, diplomacy, and defence policy and program domains and to-and-from think tanks and the private sector. Joint scenario planning and interoperability exercises are introduced. This helps to break down silos and build a deeper, whole-of-government culture.

Australia's overarching policies, big programs and key agencies are pulling broadly in the same directions in Southeast Asia. As a more consultative and attuned partner, Australia is stepping forward confidently, with policies and programs that appear more local than foreign to ASEAN observers.

Pathways

Immediate

An integrated strategic review

Institute an integrated strategic review, along the lines of the one recently conducted by the United Kingdom. This will provide a rigorous process to surface and test alternative architecture, strategies, policies and programs. The process will be led by a small group of independent experts, assisted by a team of senior officials. It will have the trust of government, but the authority and instructions to clarify threats and opportunities and focus very sharply on achieving Australia's top international priorities. It will identify what we need to do, how we need to do it, as well as essential capability and systems, culminating in a fully-funded action plan.

The resulting overarching framework can reorder priorities, strategies and thinking and help align policies, programs and resources with objectives. Within this would nest a whole-of-government strategy for greater Southeast Asian engagement, with increased resourcing of diplomatic and development efforts.

It is clear that there is a renewed government appetite for options and ideas. "Give us solutions" is a frequent refrain. However, the solutions being sought are typically for specific, urgent, policy problems on the government's existing agenda. Mechanisms need to go beyond that. While there are plenty of interesting ideas around, solutions won't magically appear. A solution-generating system is needed.

A Southeast Asia roadmap

Frame a clear regional objective for Australia in Southeast Asia, such as:

A stable, peaceful, rules-based region of fast-growing countries, enlarging equity and opportunity, confidently and openly engaging with Australia and the world and increasingly able to manage domestic and international challenges, defend their territory and interests and resist coercion.

A credible, funded roadmap should be developed to set out how this objective will be achieved, aligning programs, policies and budgets with this goal. A clear narrative will help reset and reinvigorate Australia's relations with Southeast Asia, anchoring them more soundly in ASEAN priorities and Australia's interests

Stronger support for political leadership

Increase political engagement with Southeast Asia through leadership by the Prime Minister and Minister for Foreign Affairs, supported by greater Cabinet engagement. Options like creating a minister or special envoy to devote greater time to the region could be considered.

Encourage more frequent parliamentary exchanges to assist in broadening Southeast Asian knowledge and networks. A permanent secretariat consisting of the same staff members working consistently on Southeast Asian affairs would assist committee focus and continuity at little cost.

Significantly expanded program activity

Launch a substantial increase in Southeast Asia development, diplomatic and defence programs. A development budget comprising both Official Development Assistance (ODA) and non-ODA components can fund programs in areas such as peace building and stability across government. These new devices allow Australia to engage coherently on the highest priorities of the region. Part of the expansion of program activity would give explicit attention to restoring program delivery capability.

A whole-of-government strategic culture

Promote cultural change, particularly through the leadership of heads of departments and agencies. More interchange of senior personnel and new whole-of-government processes for setting and assessing international strategies build a broader, unified strategic culture. In particular, the Southeast Asian strategy provides the common vision of what Australia is trying to achieve and is both roadmap and score card for whole of government efforts.

The key features of all strategies across the domains of development, diplomacy and defence should be visible to policy makers, with judgements formally interrogated consistently, and achievements measured against strategic goals. This enhanced accountability for strategic outcomes – not just announceables – also helps drive change.

A stronger strategic system

Modernise Australia's strategic system to meet the challenges of the current and coming environment. To ensure the balancing of hard and soft power, short and long-term considerations – and opportunities as well as threats – the Department of the Prime Minister and Cabinet would take the lead in international coordination. This expanded mandate is reflected in its resourcing and structures. DFAT responds to this agenda by increasing its capacity for whole-of-department integrated strategic planning and budgeting, along the lines of the US State Department's Policy and Planning function.

While big picture reviews, stocktakes and updates should continue intermittently, a strategic performance assessment system would ensure cabinet formally judges progress against strategic priorities twice a year. PM&C should lead this process and be informed by an expanded comprehensive program of Australian National Audit Office international relations assessments, via a dedicated international directorate, to look across development, diplomacy and defence to provide independent assessments of strategic effectiveness.

A new economic cooperation program and agency

Develop a substantial new Southeast Asia Economic Cooperation Program driven by a new and professional economic cooperation agency within the foreign affairs portfolio. This 10-year program has a particular emphasis on regional economic policy expertise, backed by substantial program support. To be influential, this would need to be at significant scale, recognising both what needs to be done and how much others, including the US, Japan, the EU and China, have stepped up.

For DFAT, regional economic development provides a long-term agenda and a business case to expand its strategic planning, economic and development capability. It would expand Australia's opportunities for engagement and leverage on matters of ongoing importance to heads of government and would strengthen relations with countries destined to become much more influential. A focus on public financial management, including support for sound, sustainable revenue raising, pursued in strategic partnership with multilateral development banks offers catalytic opportunities.

Regional growth and development have positive security consequences delivering more capable, better-resourced states that can better maintain stability and avoid stumbling into conflict. As nations become more resilient, they are better able to resolve their problems, resist coercion and better protect their territory and interests.

The Economic Cooperation Program has a development orientation, but not an aid mindset. Grant funds are provided typically in partnership with ASEAN countries and others to finance technical expertise to help countries execute complex projects. A lending arm is created as an Australian development financing institution while a joint feasibility study is being undertaken with ASEAN into a regional Carbon Bank to provide clean energy finance for Southeast Asia and the Pacific. A Carbon Bank could use relatively small amounts of paid-in capital to leverage billions of dollars to accelerate the transition to climate-friendly energy generation.

The Economic Cooperation Program Agency would recruit high-level expertise from government, the private sector and the region. This and the program resources it can invest in would enable it to have sophisticated influential dialogue with Southeast Asian states on some of their most important policy questions. This would also allow Australia to interact more effectively and more influentially with international institutions such as the World Bank and the Asian Development Bank.

CONTRIBUTIONS

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Benjamin Day

ANU College of Asia & the Pacific

Jacinta Carroll

Visiting Fellow, Philippine National Police College & Philippine Public Safety College

Jacqui De Lacy

Abt Associates

Jessica Mackenzie

Australian Council for International Development

Peter McCawley

ANU Crawford School of Public Policy

Richard Moore

International Development Contractors Community

William Stoltz

National Security College

EDITORS

Melissa Conley Tyler

Grant Wyeth