

Director
Southeast Asia Economic Strategy to 2040 Secretariat
Office of Southeast Asia
Department of Foreign Affairs and Trade

Southeast Asia Economic Strategy

Thank you for the opportunity to offer input on the Southeast Asia Economic Strategy.

The Asia-Pacific Development, Diplomacy & Defence Dialogue (AP4D) stems from the insight that in a difficult and contested world Australia needs to use all the arms of statecraft to influence regional and global developments. It creates a new dimension in Australia's international policymaking by bringing together experts from across the full spectrum of Australia's international engagement to achieve insights, develop ideas and promote collaboration around shared interests.

Prime Minister Anthony Albanese's declaration that "Deepening engagement with Southeast Asia is a key priority for my Government" is an acknowledgement that the transformation of Southeast Asian economies over the coming decades represents a key opportunity for Australia to better enmesh itself in the region. This ambition aligns with the results of expert consultations undertaken by AP4D throughout 2021 and 2022, which highlighted why Australia has a stake not just in the economic trajectory of the region, but in ensuring that growth is sustainable and inclusive.

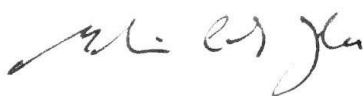
There is scope for Australia to leverage its endowments to meet Southeast Asia's needs, as well as focusing on areas where it can have outsized effect. A Southeast Asian Economic strategy that maximises these opportunities and coordinates all the tools of Australian statecraft to achieve them will benefit Australia as well as countries across the region.

Drawing on input from more than 120 experts consulted for AP4D's options papers on *Australia and Southeast Asia: Shaping a Shared Future*, this submission offers recommendations for how Australia can maximise trade and economic engagement with Southeast Asia as a goal in and of itself, but also as an important and mutually reinforcing element of Australian statecraft writ large.

Key points of the attached submission are:

- Australia should work in partnership with the region to shape a shared future, recognising that Southeast Asia's economic success is mutually beneficial.
- The strategy should form part of a broader, strategically coherent framework of engagement that resources, respects and coordinates all the arms of Australia's statecraft.
- There are pathways for Australia to contribute to and benefit from Southeast Asia's economic success.

Yours sincerely,



Melissa Conley Tyler

Executive Director, Asia-Pacific Development, Diplomacy & Defence Dialogue (AP4D)

Submission to the Southeast Asia Economic Strategy

Australia should work in partnership with the region to shape a shared future, recognising that Southeast Asia's economic success is mutually beneficial

Both risks and opportunities mean that Australia has a stake in the future of Southeast Asia. [In the words](#) of Minister for Foreign Affairs Penny Wong: "What happens in, to and through this region will be strategically central to Australia's future."

It is in Australia's national interest to have safe and prosperous countries in its immediate region. An Australia that is strongly integrated with Southeast Asia will benefit from the region's dynamism and growth, which will have a material impact on Australia's own economy, job creation and welfare.

In the coming decades several Southeast Asian countries will develop economies to match their populations, changing Australia's relative standing in the region. They will have increased diplomatic influence as a result, making Southeast Asian countries attractive and useful international partners. Australia needs to start preparing for this transition while it is still a significant player.

Minister for International Development and the Pacific and Minister for Defence Industry Pat Conroy has [articulated](#) four justifications for Australia's aid program: the security case, the economic case, the international relations case and the moral case. This framework is equally applicable to the promotion of Southeast Asian economic growth in terms of development assistance but also other vectors of engagement.

Because economic growth is a goal with diverse inputs and wide-ranging consequences, Australia's engagement with the region should extend across government and society. Australia's ability to influence and shape the region is strengthened when all the tools of statecraft are pulling in the same direction to achieve its foreign policy objectives – economic engagement as well as development, diplomacy and defence.

The strategy should form part of a broader, strategically coherent framework of engagement that resources, respects and coordinates all the arms of Australia's statecraft

Recognition of the benefits of Southeast Asian growth and development is not new, but it has not consistently translated into policy and practice. The creation of a standalone economic strategy is an important first step, but to ensure its success it needs to be consistent, broad-based and long-lasting.

Australia needs a more creative, contestable strategic culture that outlines with absolute clarity what Australia's objectives are, maintains a tight focus in pursuing them and generates well-tested strategies that are continually sharpened and reshaped. A strategically coherent approach would recognise the huge national interest benefits of Southeast Asian growth and gear Australia up to contribute to and take advantage of them.

To achieve this, Australia needs to ensure alignment and coordination of each arm of statecraft to maximise impact. For example, defence cooperation that supports stability, resilience and sovereignty in the region contributes to economic growth and development, meaning that Defence has a place at the table when it comes to economic recovery and growth in the region. Australia should broaden its focus to include finance, knowledge, services and labour markets and bring long-term thinking, deep expertise and Asia literacy to the task.

Pathways for Australia to contribute to and benefit from Southeast Asia's economic success

- **Renewable energy**
Australia can be part of the region's green economy transition as a renewable energy superpower. The energy demands of Southeast Asian emerging markets present major opportunities for Australian businesses. Australia has a major competitive advantage due to its significant renewable energy resources, which can be a diplomatic as well as an economic tool. Australia can move to a renewables model of regional influence that includes directly supplying energy, green commodities and critical minerals, as well as associated infrastructure. There are also opportunities to work with Southeast Asian governments on policy creation, including establishing regulations, standards and certification regimes for the energy transition.
- **Technology supply chains**
Australia should also support ASEAN efforts to position itself at the core of critical technology value chains. A proof-of-concept initiative would be to use blended finance to support investment into Indonesia's emerging car battery industry to help it become a global electric vehicle (EV) manufacturing hub. Australia would secure a key critical-tech supply chain and help expand export markets for Australian lithium. This will reduce climate risk for Australia and the region by accelerating the transition to EVs and deepen two-way investment and business-to-business links. It could build on existing initiatives like the Cyber and Critical Technology Cooperation Program.
- **Development to promote growth**
Australia's development cooperation should focus on priority areas that promote sustainable growth and development. Priority areas where Australia can add value and have a comparative advantage are health, education and economic cooperation. Australian economic diplomacy should promote openness to global trade, investment, technology and the free flow of ideas. This should integrate diplomatic efforts with development cooperation to create sophisticated, modern and respectful partnerships that are genuinely collaborative. This framework will provide the basis for working together on significant projects.
- **Economic dialogues**
Aligning with the recent commitment to a Comprehensive Strategic Partnership with ASEAN, the Department of Foreign Affairs and Trade should build upon existing dialogues to develop a suite of strategic and economic dialogues with both ASEAN as an institution and individual Southeast Asian states to share concerns about the security dimensions of economic developments in the region. This could include a high-level ministerial component, associated working-level collaboration and knowledge-exchange among relevant departments and agencies to facilitate shared understanding.
- **A new economic cooperation agency**
Australia should develop a substantial new Southeast Asia Economic Cooperation Program (with a development orientation, but not an aid mindset) driven by a new and professional economic cooperation agency within the foreign affairs portfolio, with a particular emphasis on

regional economic policy expertise. 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.

The program 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 would offer catalytic opportunities.

The program could administer grant funds in partnership with ASEAN countries and others to finance technical expertise to help countries execute complex projects. This and the program resources it could 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.

For more information on any of these pathways, see AP4D's publications on "What does it look like for Australia to be a partner with Southeast Asia" at <https://asiapacific4d.com/ideas/> which synthesise consultations with more than 120 Australian and regional experts. Views expressed cannot be attributed to any individuals or organisations involved in the process.