

# Submission to inform Australia's New International Development Policy

The Asia Foundation

November 30, 2022



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As a long-time development partner of Australia, The Asia Foundation is pleased to submit the following analysis and recommendations to help inform the Australian Government's preparation of a new International Development Policy for the Indo-Pacific region—one of the world's most dynamic and rapidly changing regions.

Post-COVID economic recovery, climate change, democratic decline, and digital transformation are just some of critical trends that will individually and collectively impact the region's development prospects. The looming threats of stalled economic growth, popular unrest, and political crisis add to the challenges facing several countries. In addition, China's rising power and influence in the region challenges the traditional rules-based global order. Given its geographic proximity to the region, Australia has long played a leading role in promoting inclusive growth and maintaining peace and order in the region. Through its strong cooperation and partnerships at the country and regional level, it has made concrete contributions to regional economic integration and promotion of human rights, including women's equality, disability rights, and the broader social and economic inclusion of vulnerable populations. With Australia's future prosperity and long-term national interests inextricably linked to the sustained growth and stability of the Indo-Pacific, its valued role must continue. Strengthening Australia's strategic role in the region and maintaining its positive contribution to the traditional and non-traditional development challenges facing the Indo-Pacific require a reinforced and purposeful commitment on the part of the Australian Government to partner with governments, non-state actors, and regional platforms to address key challenges and opportunities in the coming years.

## Current Context

- **Climate change** presents an existential threat to many parts of the Indo-Pacific region. Already the most disaster-prone region in the world, the Indo-Pacific will be hard hit by climate change and its multiple implications. Climate-driven natural disasters are already affecting millions of people in the region every year, leaving staggering human, physical, and economic losses in their wake. The concentration of populations in low-lying coastal areas places households, businesses, communities, and cities at particular risk. While developing countries are gradually improving in planning for and managing disasters, most remain seriously unprepared for the scale of climate-driven challenges facing the region.
- The past decade has seen an increase in **geostrategic competition and contestation**, principally driven by the rise of China and its perceived threat to the rules-based regional and global order. This competition plays out in politics, diplomacy, media, security, defence, and trade, as well as in international development cooperation. Traditional OECD-DAC aid models are being increasingly challenged by the assertive development cooperation campaign that China has launched with the Belt and Road Initiative (BRI) and the announcement of the Global Development Initiative (GDI) at the 2021 UNGA. The GDI lays out the most comprehensive approach to date for China's international engagement, especially in the Global South. In response, Australia and other like-minded countries have announced multiple strategies designed implicitly or explicitly to counter China's influence. Indeed, given the concerns of many developing countries in the Indo-Pacific about China's assertive actions and further ambitions, there may be opportunities for Australia to work with these countries in building their capacity to safeguard their sovereignty and independence while maintaining a balanced, nonaligned foreign policy. With developing countries in the region reluctant to be forced to "choose sides," and development cooperation an increasingly contested space, these countries must walk a tightrope in balancing competing powers while advocating for their own interests. It is also important to note that Australia, Japan, and the U.S. have all made clear that strategic competition with China in those areas where it is necessary can coexist with heightened cooperation with China in key areas of common interest, including climate change and pandemic risk response.

- Many countries in the region are experiencing “**democratic decline**” or the shoring up of existing autocratic authority. As a consequence, the operating space for civil society organizations (CSOs) and independent media is shrinking, limiting accountability, public voice in policy decisions, and the scope for productive collaboration between state and non-state actors, and in turn threatening regional prosperity and stability. There are already indications that historic progress in resolving conflicts across the Indo-Pacific may reverse as checks and balances are undermined and tensions rise.<sup>[1]</sup> Political leaders appear increasingly willing to tolerate or even encourage a resurgence of identity-based tensions, often harnessing social media as a manipulative tool. Violent protests, ethnic conflicts, extremism, and armed separatist movements are potential drivers of renewed fragility.
- Across the Indo-Pacific, pre-existing **gender inequalities** have been exacerbated by the COVID pandemic. There are persistently low rates of female political leadership and participation in public affairs, significant gender gaps in female labour force participation and entrepreneurship, and low women’s representation in management and leadership roles. In addition to formal policy and legal frameworks, the deeply entrenched norms and values that perpetuate rigid gender roles and responsibilities continue to limit women’s political, economic, and social participation. A crisis of gender-based violence (GBV)—including trafficking in persons and intimate partner violence—is profoundly impacting women, girls, and non-binary people across the region, further depriving them of a role in economic growth and in advancing solutions to broader development challenges.
- The national and regional economies of the Indo-Pacific region lie at a crossroads, with the labor-intensive, export-led models that drove earlier prosperity losing relevance. **Rapid advances in technology**, including innovations in mobile communication, AI, robotics, and other areas, have begun to fundamentally change manufacturing. As the world economy shifts toward digitally enabled services and advanced technology-driven manufacturing, the future of the region’s industrial competitiveness and growth lies largely in these innovative sectors. National policy makers must redouble their efforts to institute structural reforms that strengthen local innovation ecosystems and create the regulatory and investment conditions that will facilitate rapid growth in innovation-driven industries, including export of services. Critical policy considerations include rules that promote domestic and foreign direct investment, efficient technology transfer, the repatriation of human capital, favorable tax incentives for entrepreneurial behavior, and regulations that encourage and protect the development of intellectual property. At the same time, governments should steer away from policies that inhibit innovation, especially protectionism and over-regulation. Preparing a workforce that is appropriately skilled for the transition will be essential.
- While most countries of the Indo-Pacific region have experienced decades of economic growth, they now face growth slow-downs and the spectre of political instability. The developing countries that will most determine the future of region are now in later stages of development progress. In addition to China (which is a special case), Malaysia, Thailand, Indonesia, Maldives, Palau, Tonga, and Tuvalu have reached **Advanced Middle-Income Country (AMIC)** status, with the Philippines, Vietnam, Sri Lanka, and Mongolia expected to join this group within the next two to six years. Globally, all AMICs face concurrent challenges of slowing growth, failures of governance, and instability—in part related to the need to transition from cheap labour to innovation and technology-driven growth and to radically upgrade core institutions of governance. While all AMICs have substantial human and institutional resources and large national budgets, they

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<sup>[1]</sup> Ref. DFAT-funded ‘State of Conflict and violence in Asia 2021’, The Asia Foundation: [stateofconflictinasia.org](https://stateofconflictinasia.org)

struggle to put in place the complex and politically difficult institutional and policy reforms essential for continued progress.

- The region's **Lower Middle-Income Countries (LMICs)**, including Bangladesh, Cambodia, Kiribati, Lao PDR, Nepal, Samoa, and India, were hard hit by the COVID pandemic. With less resilient economic infrastructure, less effective governance institutions, and strained health and education systems, these and other LMICS faced severe impacts on lives and livelihoods, reversing the advances of recent years. All saw negative growth in 2020 and/or 2021 and faced rising economic and social inequalities.

## Australia's Role

- Australia has a strong national interest in and commitment to helping countries across the Indo-Pacific to continue to grow and prosper as they transition to the new global economy in the coming years. It can do several things to leverage its resources and influence in this politically charged environment.
- As a middle power, Australia is well placed to cooperate with India, Indonesia, Japan, and Korea in forging a favourable and peaceful balance of power and multipolarity in the region. This can be achieved by these partners working through multilateral institutions and forging coalitions to tackle international challenges and advance a common development agenda. While multilateralism has also become a contested space, some institutions (such as the G20, through a succession of Southern-led leadership by Indonesia, India, Brazil, and South Africa) provide an opportunity to create and sustain shared space around a common development agenda. Indeed, recent discussion at the Bali G20 has placed development firmly on the table.
- Australia's aid program has the potential to enhance its relations with Southeast Asian and Pacific Island countries (PICs) by explicitly helping them to navigate an increasingly competitive geopolitical context. Australia has a reputation for pragmatism and responsiveness to the interests of small and middle powers, by avoiding programs that take a side in the U.S.-China strategic rivalry. For example, this is evident in Australian support to the Mekong sub-region, where DFAT helps facilitate locally led efforts like the Ayeyarwady-Chao Phraya-Mekong Economic Cooperation Strategy and the Mekong River Commission and avoids programs that explicitly call out Chinese impact on water levels. At the same time, opportunities exist to bring Australia's vast political capital and strong bilateral relations in the region to bear in its strategic development investments.

## Recommendations

- **Support the Indo-Pacific to respond to climate change:** Australia is well placed to engage national, provincial, and local-level policy makers and broader stakeholders to conduct vulnerability and adaptation assessments—a process by which risks are identified and options for adaptive development pathways articulated and inclusively discussed—and thereby enable people to play an active role in decisions affecting their future livelihoods and climate security. Improving stakeholder engagement will help ensure that the needs of vulnerable populations are taken account of in policy making, while concurrently supporting capacity building, strengthening social networks, and building the necessary political support to invest in critical climate-resilient infrastructure. Australia can also help strengthen regional and international institutions that serve as first responders and platforms for diplomatic discussion and mediation of climate-driven conflict in times of regional crisis. This should include a focus on ASEAN, APEC, and the Pacific Islands Forum (PIF). Finally, improving climate change resilience can be fostered through both

governance and technological approaches. Drawing on its own experience, Australia has the capacity to assist cities to establish effective planning and urban development tools and processes that can lead to greater liveability and resilience to shocks and stresses.

- **Strengthen regional architecture:** Greater Australian investment in regional architecture can help equip smaller states to shape the terms of engagement with external actors that provide development financing to the region—including investments in infrastructure, connectivity, economic resilience, and other regional development priorities. There are many mini groupings of countries that have a development agenda or can elevate a development agenda in their work and negotiations. While ASEAN has not traditionally played a major role in development assistance, increasing geopolitical competition in Southeast Asia and the expansion of large-scale regional development initiatives are prompting new thinking about ASEAN’s role in development. The ASEAN experience is also relevant to other regional bodies as well, including PIF. Australia can strengthen the capacity and confidence of these and other regional bodies to raise their voice and impact. It could also consider supporting Track 1.5 dialogues with other middle powers in the Indo-Pacific, seeking areas of common ground and developing joint agendas for enhancing the rules-based international order.
- **Respond constructively to geopolitical tensions in the Pacific:** In the Pacific region, where it more directly “competes” with China, Australia can focus on renewing its core strengths in governance, transparency, gender and social inclusion, and civil society strengthening, to ensure that the investments PICs demand and accept—from China or elsewhere—are sustainable and respond to Pacific Island priorities. Complementary inputs from Australia’s like-minded donor partners will also help PICs to resist picking sides, discourage competition in the same spaces, and play to the comparative strengths of different donor countries. Concurrently, positive collaboration with China on shared priorities such as vaccine diplomacy, health security, and climate action could help drive positive development outcomes for the region.
- **Support democratic resilience:** While local civil actors across the Indo-Pacific region demonstrate immense resilience in the face of democratic decline and shrinking civic space, they will benefit from a combination of support that Australia is well placed to provide. Examples include strengthening the security of online identity, data, and other assets; facilitating collaborative country and regional-level networks through which CSOs can collectively respond to critical political developments through shared experience and security in number; enhancing capacity to monitor political environments for opportunities and risks through horizon scanning, scenario planning, and risk assessment; and leveraging soft power to demonstrate alliance with civic actors and defend civic spaces through education, research cooperation, and scholarships. Positive change is more likely to result from support for locally owned, articulated, and led strategies that focus on building institutions, capacities, and local norms that strengthen democratic resilience.
- **Reinvigorate efforts to address gender inequalities:** Australia should elevate its commitment to gender equality through an updated gender strategy and consideration of a feminist foreign policy commitment, which would together ensure its place at the forefront of foreign aid commitments by G7 countries. Continued investments should be made in women’s political voice and leadership; in holistically addressing GBV across all programs; and in addressing the crisis of unpaid care work, which largely falls on women. Fostering women’s entrepreneurship and leadership in the workforce—including support for business development, policy change, access to finance, and the Future of Work agenda—are key to inclusive growth and advancing the rights, opportunities, and influence of women. This should also include ensuring a quality education for all through tertiary education and an enhanced focus on women in STEM at all stages of the life cycle.

- **Respond to the potential for conflict:** Australian support and expertise can build strategic and informed engagement with partners including governments, regional organisations, specialty agencies, and local leaders. Related measures, including conflict risk monitoring or early warning, support for traditional or indigenous dispute resolution, and steps to ensure women’s involvement at all stages, can prevent violent conflict and in the process encourage accountable and democratic leadership. Australia can also share valuable lessons learned from its experience in managing online spaces, support research to identify risks and responses to potential instability, and advance development policies and investments that address the root causes of violence.
- **Deepen cooperation with other middle powers:** In partnership with India, Japan, Indonesia, and Korea, Australia can help to forge a favourable balance of power and advance multilateral approaches to challenges in the Indo-Pacific. Among these relationships, Australia-India cooperation in the region may hold particular promise. As middle-power democracies, both countries are committed to similar national and international objectives in the Indo-Pacific. In the last year, bilateral relations between the two have advanced to new heights, with new initiatives and several high-level visits between the two countries. Building on this momentum, Australia and India can expand their cooperation towards a shared vision for the Indo-Pacific, allowing both countries to positively influence development trajectories in the region. This could include identifying common development priorities in the Pacific Islands on renewable energy, health, or digital skilling; developing and implementing triangular cooperation programs/projects in priority areas; and/or strengthening development partnerships between Australian and Indian practitioners and policy makers, including government, NGOs, the private sector, and academia.
- **Partner with countries in the lower-middle income stage of development:** Indo-Pacific countries that reach Lower-Middle Income status are typically buoyed by a sense of achievement but still face a combination of challenges to continued growth. Australia is well placed to support LMICs in advancing the economic, health, education, and broader human security standards on which sustained growth depends. Australian support can include skilled workforce development through digital upskilling programs, strong and efficient educational and training institutions, equipping young people to assume leadership roles in government, business, civil society, and academia, and investment in children’s reading skills and reading culture. On this latter point, a greater investment in locally produced content is necessary to enable marginalized children and their parents to see people like themselves as resilient and successful and to change how others perceive them.
- **Partner with countries as they progress through more advanced stages of economic development:** Australia’s future security and prosperity will depend in part on how successful the region’s AMICs are in navigating the destabilizing economic, social, and political challenges facing them. From a trade perspective, Indo-Pacific AMICs collectively represent a large and rapidly expanding market. From a security perspective, stalling growth and rising political instability would not only complicate cooperation on a range of issues, but would leave these countries vulnerable to negative external influences in an era of heightened geopolitical competition. Given its immense stake in the continued success of its neighbours as they progress through later stages of development, Australia can explore ways to continue to support critical reforms in key policy areas in AMICs as large-scale aid programs wind down. Progress in these areas will serve Australian interests both by helping to ensure continued growth and stability in the Indo-Pacific and by expanding Australia’s networks and influence as a responsive and committed regional partner.