Southeast Asia update
Angela Clare, Foreign Affairs, Defence and Security

Key issue
As the 2017 Foreign Policy White Paper reminds us, Southeast Asia has profound significance for Australia’s security and prosperity. It also sits at the centre of increasingly turbulent global power rivalries.

Navigating a path through US-China competition and forging constructive ties with its Southeast Asian neighbours are among Australia’s most pressing foreign policy challenges.

Southeast Asian countries, like others, recognise the rise of China as inevitable, and are choosing to engage with it. Their economies stand to benefit greatly from Chinese investment as they transition through middle-income status. China’s claims to the South China Sea and diplomatic overreach may cause unease, but the economic opportunities provided by its investments are largely seen to outweigh these concerns.

Southeast Asia is, of course, comprised of highly diverse countries, both economically and politically. As a collective, Southeast Asian countries make up the world’s sixth largest economy, which is projected to be the fourth largest by 2030.

Australia’s image as a close friend of the United States may well have its advantages in some quarters, where countries value the stability and prosperity US leadership has facilitated. At the same time, commentators caution that Australia should be careful ‘not to overplay its hand’ and allow its commitment to a rules-based order to be loaded with an anti-China sentiment that many countries in the region do not wish to be associated with. It is in no-one’s interests, some argue, to see groupings emerge that involve binary choices between prosperity and security, or between China and the US.

With US-China rivalries intensifying, Australian foreign policymakers are preoccupied with how best Australia can balance its security and economic interests in the region. The White Paper observes that Australia:

... want[s] peace to help sustain the growth that has brought the region to the centre of the global economy. Equally, we want a region where our ability to prosecute our interests freely is not constrained by the exercise of coercive power.

Australia and Southeast Asian countries alike are struggling to deal with growing uncertainty in the face of the realignment of great power relations. While China sees its regional investments and diplomacy as benign, the US suspects China’s motives and fears that the region risks becoming more susceptible to diplomatic and economic pressure from Beijing. Increasingly hardline stances on both sides have done little to ease tensions.
What is clear is that Australia needs to find a way to effectively balance its ties with allies, neighbours and economic partners, and position itself as a constructive member of regional groupings.

Anxieties about the risks associated with Chinese investments are seen in anti-China protests in Vietnam, Thailand, the Philippines, and Myanmar, spurred by issues such as sovereignty, land rights, the use of Chinese labourers in China’s overseas projects and high debt levels. Malaysia and Indonesia are renegotiating BRI projects, concerned with excessive costs and perceived lack of value.

Unsurprisingly, these tensions present real challenges to a collective Southeast Asian voice. China and ASEAN (the Association of Southeast Asian Nations) are engaged in long-term efforts to seek agreement on a code of conduct for the South China Sea disputes, a potentially significant step to moderate tensions and improve interactions among the claimants. But while Vietnam has strongly resisted China’s attempts to control the South China Sea, Laos, Cambodia, Myanmar, Thailand, and more recently, the Philippines (despite its US alliance), have taken more conciliatory stances on the issue. As a number of analysts have observed, in a situation where some states have become highly dependent on Chinese investments, the inducement to break ranks on such issues increases.

ASEAN’s challenges

Australia has looked to ASEAN as a key point of engagement with the region for 45 years. Whether ASEAN is able to shore up its role as a platform for cooperative regionalism is a key concern for Australia.

ASEAN has historically played a key role in engaging with the great powers, but many see its influence waning as China’s footprint has expanded and bilateral relations become the preferred diplomatic channel. Unwilling or unable to abandon its principle of unity, ASEAN has been criticised for failing to address matters of regional security involving China, remaining reluctant, for instance, to call China out on

China in the region

Southeast Asia has been a focal point for China’s BRI investments and geo-strategic ambitions. It is the largest foreign investor in Cambodia, Laos, Malaysia and Myanmar, and the second largest in Singapore and Vietnam. Major Belt and Road Initiatives in the region include high speed rail and projects to boost the digital economy and the Lancang-Mekong Cooperation (LMC), one of China’s most ambitious initiatives. The LMC involves the five countries of the Mekong sub-region: Laos, Myanmar, Thailand, Cambodia and Vietnam. China’s total investment in these countries is estimated to total US$260 billion, implementing around 132 projects in the Mekong region as at 2018. ASEAN countries were also among the founding members of China’s Asian Infrastructure Investment Bank when it was established in 2015.

Access to China’s finance may be welcomed, but ASEAN countries are also faced with ‘… the reality of power asymmetry and the constant fear of vulnerability, over-dependence, and loss of autonomy’.

Australia has long-standing ties with Southeast Asian countries, which are one of its most important trading groupings — the third largest behind China and Japan. In addition to its free trade agreement with ASEAN, Australia has signed bilateral agreements with Singapore (in 2002), Thailand (2003), Malaysia (2012) and Indonesia (2019). In 2018 Australia signed a Strategic Partnership agreement with Vietnam.
issues such as its open disregard for the 2016 Hague tribunal ruling on the South China Sea dispute with the Philippines.

ASEAN has also been criticised for failing to address the Myanmar authorities’ atrocities against the Rohingya, despite the ASEAN Regional Forum’s vision as an ‘action-oriented mechanism that develops concrete and effective responses’ to regional challenges, and to maintain ‘comprehensive approaches to regional security issues’. Trends unrelated to China are also seen to be undermining ASEAN’s influence, particularly Indonesia’s step back from its traditional leadership role and its decreased reliance on ASEAN diplomacy.

Its advocates argue that the current environment of heightened tensions in the region means that ASEAN-centred architecture takes on even greater significance, and that ASEAN’s principle of unity in diversity remains an important aspiration.

According to this view it is in ASEAN countries’ interests to manage competing powers, shore up the multilateral order, and remain a focal point for cooperation and stability in the region. ASEAN support for the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (TPP), which came into effect at the end of 2018, and its efforts to conclude the Regional Comprehensive Economic Partnership are examples of its commitment to an open, rules-based order. (The US is not part of ASEAN’s Regional Comprehensive Economic Partnership and has withdrawn from the TPP, in what has been seen as a blow to its economic leadership in the region).

Democracy and human rights

The last few decades have seen some notable political achievements in Southeast Asia: the 1986 people-power revolution in the Philippines brought down Ferdinand Marcos’ dictatorship; the resignation of Indonesia’s President Suharto in 1998 in the face of widespread protests ushered in significant progress towards accountable government and the peaceful negotiation of political tensions; Aung San Suu Kyi’s National League for Democracy victory in 2015 ended decades of outright military rule; and the May 2018 regime change in Malaysia, the first in the country’s history, raised hopes of democratic reform on the back of widespread outrage at the corruption scandal engulfing former Prime Minister Najib Razak.

For democracy and human rights advocates the optimism accompanying these changes has—probably inevitably—faded. The success of electoral democracy in the region has been important, but has not necessarily brought about substantive democracy—freedoms of media and expression, as well as a strong civil society, independent institutions and the rule of law. Elections in some countries continue to mask and legitimise illiberal practices based on intimidation, identity politics and corruption.

It has been argued that the region has not so much experienced a decline in democracy as the persistence of authoritarianism. The regimes in Laos and Vietnam remain closed, while Cambodia’s 2018 elections provided little more than a veneer of legitimacy for Hun Sen’s regime. In Thailand, the March 2019 election is likely to result in ongoing military rule.

Some observers are also concerned that religious conservatism is exerting a growing influence on domestic politics in Indonesia and Malaysia, where moderate politicians appear unwilling to protect minorities against sectarian and nationalist sentiments.

There is some cause for optimism, however, with the strength of civil society organisations and emerging opposition
parties striving to hold governments to account. Despite concerns about the roll-back of democracy, most agree that Indonesia remains a vibrant multi-party democracy with a high degree of support from both elites and the larger population.

Security and conflict

The threat of violence in the region has been linked to a number of causes, both local and international. Southeast Asia is one of the world’s most terrorism-affected regions. It also faces an ongoing threat of jihadi violence as radical Islamist groups gain influence. The influx of battle-hardened returning IS fighters looking to open new fronts poses a challenge across the region. Long-standing ethnic tensions, including those fuelled by official discrimination against Muslims in Myanmar, Thailand and the Philippines, are also important sources of instability.

The siege of Marawi was one of the most troubling conflicts in the region in recent years. In May 2017 Islamic State-inspired militants took control of the Muslim-majority southern Philippines city, prompting months of heavy combat with the Philippine military. Hundreds of thousands residents fled and more than 1,000 were killed. The siege ended in October 2017 after five months of fighting, with much of the city destroyed. Al Jazeera reported that the battle involved many foreign fighters, and was at least in part an attempt by Islamic State supporters to open new Southeast Asian fronts. An NGO report on the other hand suggested that the main cause of the conflict was not inter or intra religious violence, but pre-existing clan feuds that drove people to join extremist groups.

Since 2001 three provinces on Thailand’s southern border with Malaysia, home to a Muslim Malay majority in the predominantly Buddhist country, have been the site of repeated and entrenched violence. Muslim insurgents have demanded that Bangkok grant them local autonomy. It is estimated that over 7,000 people have died in the conflict, with around double that number injured. NGOs have documented human rights abuses on both sides. As in Marawi, views differ on whether the conflict is primarily driven by Islamic militant groups actively fighting for the establishment of an independent Islamic caliphate in southern Thailand, or whether it is based in local territory and identity disputes. Hardline approaches by the central government are seen to be exacerbating the conflict. Human rights advocates have called on the Thai Government to prosecute the atrocities by its own forces as well as those by the insurgents, to stop the violence. To date, neither side appears willing or able to negotiate a peaceful settlement.

Myanmar’s military has been accused by UN investigators of committing genocide against the Rohingya people. It is estimated that Bangladesh is now home to 1.2 million refugees from Myanmar who have fled violence since the government security crackdown commenced in 2017. The situation for the displaced Rohingya has not improved, with ongoing violence, little prospect of refugees being permitted to return home in the near future, and no sign of action taken against those who have perpetrated human rights violations. Myanmar’s Buddhist majority regime has long seen the Rohingya as outsiders. Fears of escalating violence, radicalism, illicit drug trafficking and further unregulated people movement are likely as dispossessed communities realise they have few prospects.

Indonesia’s anti-terrorism efforts, led by the elite counter-terrorism group Densus 88, have largely exceeded expectations. Since 2010 the group is believed to have disrupted more than 80 terrorist plots. But the number of IS supporters returning from the Middle East poses a serious challenge, particularly in relation to curbing radicalisation in the overloaded prison system.
Commentators argue that these challenges highlight the need for new ways to resolve conflict in the region, including drawing on traditional approaches to settling clan violence, enlisting the support of local leaders, and rebuilding social cohesion and resilient communities.

How should Australia respond?

Australia’s efforts to meet its foreign policy goals in Southeast Asia have come under question. Analysts have called on Australia to increase its strategic engagement and raise the profile of Southeast Asia in domestic public policy discussions, concerned that the Government’s ‘Pacific pivot’ has come at the cost of Australia’s links to the region. Significant cuts to Australia’s aid to Southeast Asia over the last few years are a further indication of this neglect, they argue.

To spearhead increased strategic engagement, some have called for the establishment of a Centre for Asian Middle Income Country Development, while the Labor Opposition has also backed the idea of an Australia-ASEAN Studies Centre.

In August 2017 the Shadow Minister for Foreign Affairs argued that it is critical for Australia to ‘get it right with ASEAN’. Senator Wong called for Australia to engage deeply with both the individual ASEAN countries and with the institution to face the challenge of disruption to the global order and changing regional dynamics. Labor’s pre-election announcement of its FutureAsia strategy also confirmed its shift in focus towards the region, following what they claim is ‘years of policy drift from the Liberal Party and a failure to come up with a comprehensive strategy or initiatives’.

Others caution that Australia’s interests are better served through bilateral links and that ASEAN should not be conflated with Southeast Asia. Malcolm Cook (Lowy Institute) disputes the notion that Australia’s interests are deeply tied to ASEAN. He reminds us that ASEAN is not, in itself, a region or sovereign power, nor is it a customs union, but rather an association of countries in one of the most diverse regions of the world. Conflating ASEAN with the region ‘… places too many inflated expectations on the Association for the economic development and peace and security of Southeast Asia and for Australia’s relations with the states of Southeast Asia’. Based on this view, Australia’s bilateral relations with countries such as Indonesia, Malaysia, and Singapore are more important than our relationship with ASEAN for pursuing our interests in the region. While ASEAN is an important regional body facilitating dialogue with Southeast Asian countries on a range of issues including transnational crime and counter-terrorism, he submits, it is not the only channel for such cooperation.

In a similar vein, Euan Graham argues that ASEAN’s ‘lack of teeth’ and disunity can no longer be ignored. ASEAN has a role to play as a platform for regional cooperation on counter-terrorism, he contends, but Australia should look to more effective channels to pursue its interests, and avoid duplicating efforts better pursued elsewhere—including through bilateral arrangements. Based on this view, Australia’s engagement with ASEAN should be subordinate within a wider Southeast Asia policy, Timor-Leste included.

Responding to Graham, John Blaxland notes the importance of Australia being seen as a trusted, respected and committed partner to ASEAN. Only then will Australia have the opportunity to engage with the region on substantive reforms, he argues. Despite the lack of discussion on sensitive issues like the Rohingya crisis, the fact that ASEAN is able to provide a place for dialogue is of real significance. Those who see ASEAN as divided and ineffective misread its raison d’etre and underestimate the significance
of its economic, political, social and cultural achievements. Blaxland cites growing cooperation on humanitarian assistance and disaster relief, piracy, terrorism, people smuggling, refugee flows, and illegal, unregulated and unreported fishing. Along the way, he argues, ASEAN countries ‘... are finding they have more interests and concerns in common than ever’.

A number of commentators have pointed out that Australia is a technologically advanced economy with much to offer the region in terms of knowledge and skills transfer. While their economies may be growing, Southeast Asian countries in the region continue to face enormous development challenges.

Supporting these countries as they steer a pathway through the ‘middle-income trap’ is critical if Australia wants to have a role in shaping the region’s development.

In April 2019 the Joint Standing Committee on Foreign Affairs, Defence and Trade released the first report of its inquiry into Australia’s aid program in the Indo-Pacific. The report found that the aid program is an important vehicle through which Australia can exercise its strategic influence, and calls for Australia’s aid program to be taken more seriously as a foreign policy tool. The report also recommended that Australia strengthen its integration into Southeast Asia.

Debate persists about what exactly the middle-income trap is and how to avoid it. The ANU’s East Asia Forum describes the ‘trap’ as being where growth slows after reaching middle-income levels and the transition to high-income levels seems a distant prospect. Where Japan, Singapore, Taiwan and South Korea are now advanced countries, Malaysia and Thailand appear stuck in the middle and Indonesia and the Philippines remain at lower levels of development.

Some define middle income countries in terms of their distance from the global technology ‘frontier’. There is no one answer to closing this gap, but countries are advised to liberalise trade, deregulate financial markets, foster high value and competitive markets, join global value chains, invest in technology and innovation, and address a range of social factors including demographic shifts, corruption and inequality.

Further reading


R Lyon, ‘Australia and the shifting regional order’, Strategist, blog, Australian Strategic Policy Institute, 4 June 2018.